UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/45/810
29 November 1990

ORIGINAL: ENGLISH

Forty-fifth session
Agenda item 79

DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION

Letter dated 26 November 1990 from the Permanent Representative of Bolivia to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith for your information and perusal a copy of the document entitled "The Challenge to the South: An Overview and Summary of the South Commission Report".

On behalf of the Group of 77, I should be grateful if you would arrange to have the present letter, together with the aforementioned document distributed as an official document of the General Assembly under agenda item 79.

(Signed) Ambassador Hugo NAVAJAS-MOGRO
Permanent Representative of Bolivia
to the United Nations
Chairman of the Group of 77
New York

The Challenge to the South

An Overview and Summary of the South Commission Report

Members of the Commission

Chairman: Julius K. Nyerere (Tanzania)
Secretary-General: Manmohan Singh (India)

Ismail Sabri Abdalla	(Egypt)
Abdlatif Al-Hamad	(Kuwait)
Paulo Evaristo Arns	(Brazil)
Solita Collas-Monsod	(Philippines)
Eneas da Conceiçao Comiche	(Mozambique)
Gamani Cor[illegible]	(Sri Lanka)
Aboubakar Diaby-Ouattara	(Côte d'Ivoire)
Aldo Ferrer	(Argentina)
Celso Furtado	(Brazil)
Enrique Iglesias	(Uruguay)
Devaki Jain	(India)
Simba Makoni	(Zimbabwe)
Michael Manley	(Jamaica)
Jorge Eduardo Navarrete	(Mexico)
Pius Okigbo	(Nigeria)
Augustin Papic	(Yugoslavia)
Carlos Andrés Pérez	(Venezuela)
Qian Jiadong	(China)
Shridath Ramphal	(Guyana)
Carlos Rafael Rodriguez	(Cuba)
Abdus Salam	(Pakistan)
Marie-Angélique Savané	(Senegal)
Tan Sri Ghazali Shafie	(Malaysia)
Tupua Tamasese Tupuola Efi	(Western Samoa)
Nitisastro Widjojo	(Indonesia)
Layachi Yaker	(Algeria)

CONTENTS

		Page
I.	The South and Its Tasks	5
II.	The National Dimension: Self-Reliant and People-Centred Development	18
III.	The Strategic Role of South-South Co-operation	29
IV.	North-South Relations and the International System	41
V.	Towards the Twenty-First Century	55
Annex.	The Commission and Its Work	79

READEX MICRO

I. The South and its Tasks

Three and a half billion people, three quarters of all humanity, live in the developing countries or the South. These countries vary greatly in size, in levels of development, in economic, social and political structures. Yet they share a fundamental trait: they exist on the periphery of the developed countries of the North. Most of their people are poor; their economies are mostly weak and defenceless; they are generally powerless in the world arena.

In the post-war years, until the end of the 1970s, a great many of the countries of the South registered impressive social and economic gains. This gave rise to the expectation that the North-South divide in wealth and power could be bridged.

The 1980s belied that expectation. They have been rightly described as a lost decade for development. While the industrial countries recovered from the recession of the early 1980s and have now enjoyed seven years of uninterrupted growth, most countries of the South faced an acute and continuing development crisis. Per capita income and living standards were sharply squeezed. A large number of countries were driven to the edge of collapse. Their people's privations were acute and prolonged. Nations floundered in their efforts to struggle out of unprecedented difficulties. Hope gave way to despair, as confidence ebbed in the ability to recover their momentum of growth. Destabilizing and potentially explosive social and economic tensions rose.

The crisis was mainly the outcome of adverse turns in the world economy, which developing countries are powerless to control. Though it brought to light weaknesses in the economic structures and development strategies of countries of the South, the South's setbacks were largely the product of the contractionary policies followed by the industrial countries and the sudden drying-up of capital flows. The adjustment policies imposed on many developing countries by international financial institutions intensified deflationary pressures and added to the hardships. Yet the world community signally failed to take the enlightened measures that would have hastened an end to the predicament in which so many of the world's nations and people were trapped for so long.

The South Commission's task was to propose ways by which the South could surmount this crisis, resume growth and undertake a process of sustained development. We are convinced that the South can overcome its present malaise and reach out to a better future for its people. Our report is intended as a contribution to the South's endeavours to respond to this challenge.

We do not pretend that it will be easy. Success is not assured; it is conditional on what the countries of the South do, individually and together. But it is our view that the task of regenerating the South can be accomplished, given vision, determination and unrelenting effort.

The challenge to the nations of the South is to mobilize and deploy their resources more effectively – nationally and collectively – to energize their development, draw strength from joint undertakings, exploit global opportunities, and to make the international system more responsive to their interests.

Policies will need to be changed, institutions reformed and new mechanisms created. The tasks are formidable, but the South has to face them – or face further marginalization and greater impoverishment.

The World in the 1990s

In its new strategies, the South must take account of the unfavourable trends in the external economic environment:

- World commodity markets remain depressed, adversely affecting a large number of developing countries which derive a high proportion of their export earnings from commodities.
- Developing countries' exports continue to face formidable barriers in the markets of developed countries, including discriminatory protectionism in violation of internationally accepted principles.
- International efforts to deal with the debt overhang of the 1980s have met with the refusal of the creditors to bear an equitable share of the burden, and a revival of growth in the indebted countries is still a distant prospect.
- International interest rates remain unusually high, greatly adding to the cost of debt service for developing countries.
- Many developing countries – and the South as a whole – have become net exporters of capital to the rich countries of the North.

Even the IMF and the World Bank are now net recipients of resources from the developing countries.

This sharp deterioration in the external environment has taken place in the context of radical readjustments and structural changes in the world economy, with far-reaching implications for global economic interdependence and for the position of the South. This transformation has involved essentially:

- The rapid expansion of transnational enterprises as the main producers of goods and services for world trade, with a growing proportion of international transactions taking place among branches of the same firm or among related firms.
- A related expansion of the role of private banks in creating international liquidity, which has become uncoupled from the growth of international trade in goods and services.
- A resulting excessive growth of indebtedness in both developed and developing economies, including the public and the private sectors, and domestic as well as foreign debt.
- Changes in the relative importance of factors of production which imply a move away from material/energy/labour-intensive products and processes and towards knowledge-intensive products and processes; this trend has meant a loss of comparative advantage for developing countries in a number of traditional export products.
- Related changes in the importance of sectors of production in the developed countries, implying a shift away from agriculture and industry and towards services, and rapidly expanding internationalization in the production of, and employment and trade in, services.
- Growing instability, unpredictability and fluctuation in the international economy, notably in interest and exchange rates, and growing uncertainty in capital markets.
- Significant institutional changes: at the national level, increasing deregulation, privatization and reliance on market forces; at the international level, the collapse of the Bretton Woods monetary system and the erosion of the multilateral trading system embodied in GATT.

These trends may not be transient. Indeed, unless the world community takes determined action, the international environment in the 1990s is likely to remain fundamentally hostile to the development prospects of developing countries in several respects.

Under such conditions, the South cannot prudently depend on the North to be an engine for its own growth, as it was able to do to some extent in earlier decades. Growth impulses from the North have become markedly weaker, and their transmission is obstructed by restrictive measures in the North. An improvement of the international environment through concerted intervention at the global level can undoubtedly be of major help. However, the South must recognize that even then its basic growth impulses must be found in its own economies, and that self-reliance, national and collective, is an imperative in the new global context.

Flaws in the Development Experience

While the South's misfortunes in the past decade were largely the outcome of hostile external factors, the lack of resilience shown by many economies points to defects in the pattern of development and policy framework in these countries. These have to be corrected as part of the difficult process of becoming more self-reliant.

With a few exceptions, post-war economic growth in the South did not lead to an adequate transformation and increased flexibility in economic structures, or to greater equity and social cohesion. It led more generally to greater inequalities, unplanned and usually chaotic urbanization, the co-existence of small enclaves of modern industry and large semi-traditional sectors, continued rigidity in trade patterns, increased import demand combined with lagging export capacity, and much environmental damage. Most countries also failed to raise the social and economic status of women.

The declared purpose of development was to combat poverty, ignorance and disease. Almost inevitably the countries of the South adopted as models the countries that seemed to have eradicated these evils – the developed countries. They overlooked the poverty, suffering and injustice that had accompanied the early economic advances in those countries, as well as the very different circumstances in which the South was having to work for its objectives. Placing too much confidence in the trickle-down effect of economic growth, the South took too little direct action to raise the income and productivity of the poor or to promote a fairer distribution of the benefits of growth. In particular, peasant agriculture was often neglected, with especially harmful results in the least developed countries.

Industrial development tended to meet the demands of the higher income groups. This led to greater dependence on imports, while export expansion and technical advance were neglected. The labour force swelled rapidly with population growth, but capital-intensive patterns of development and the use of inappropriate technologies created too few jobs. Environmental protection, particularly the need to conserve non-renewable resources, was also often neglected.

Scientific and technological dependence on the North became more pronounced since there was insufficient recognition of the role of science and technology in development and inadequate spending on research and development. The result was heightened vulnerability to external shocks. A lack of emphasis on self-reliance in many cases led to the ultimate unsustainability of the growth process.

Insufficient attention was paid to the cultural dimensions of development and to cultural enrichment through mass participation. Uncritical imitation of Western models led to a failure to benefit from the South's reserves of traditional wisdom, creativity and enterprise.

Overcentralization in administration and planning was responsible for delays in decision-making and for inefficient management of public enterprises, and inhibited popular participation in development. Lack of democracy, corruption, and militarization further eroded the economic and political bases for development.

It is also now clear that inherent in the pattern of development generally adopted was a strong tendency towards the aggravation of inequality, despite the emergence of a middle class in several countries. The retrenchment forced on many countries in the 1980s aggravated the injustices arising from the attempt to develop along an inappropriate path, often creating explosive social conditions. The worst sufferers – and almost invariably the least able to protest or protect their interests – were usually the most vulnerable of the poor: women, children and other socially disadvantaged groups.

Grounds for Confidence

The setbacks of the past decade were severe and affected the large majority of the countries of the South. They dented some of the hard-won gains of previous decades, and exposed the flaws of past approaches. But the achievements of the past are nevertheless heartening evidence of what the South can accomplish.

These achievements are many, varied and substantial. The South has shown that, given a less unpropitious international environment, it can substantially increase savings and investment, accelerate growth and improve social conditions. The high rates of growth the South recorded in the 1950s, 1960s and 1970s helped to lay valuable economic foundations – roads, communications, energy supplies, irrigation systems – which are substantial assets for the future. National economies were diversified to varying degrees. Advances were made in modernizing agriculture and expanding food production. There were some notable successes in industrial transformation, in mastering technology and in competing in world markets.

The investment in human capital was also remarkable in its impact, as evidenced in longer life expectancy, lower infant mortality, improved literacy and higher levels of education and skills. Its people, now healthier and better educated, are the South's greatest resource.

These successes were not evenly spread on the map of the South. In most countries they did not create enough resilience to prevent a slide into retrogression when external conditions suddenly worsened. Nevertheless, the total picture must give the South confidence in its capabilities – and inspire hope for the future.

There are also other factors to buttress confidence. New sources of economic vigour have appeared within the South – in the form of financial resources, technological capacity, management skills and entrepreneurial strength. There is now a wider range of relevant development experience to draw on. The progress made by the South's two most populous countries – China and India – pursuing distinctive development paths, is instructive. So too is the success achieved by some countries in East and South East Asia, following a different strategy and giving more emphasis to science and technology. They were all better equipped to face up to the global economic downturn of the 1980s. There are also achievements – economic and social – in other countries of the South. All these experiences offer important lessons to the rest of the South. Equally, there are lessons to be learned from the failures – mistakes that others need not repeat. There is a new flexibility in the South, a more mature, pragmatic approach to planning and policy which is the result of learning from these experiences.

Overview and Summary

Global Trends

Globally too, there are some encouraging trends. The tensions between East and West have eased. The more co-operative relationship between the superpowers could help to secure a higher place for development in world concerns. A part of the resources released by disarmament – finance, technological know-how and research skills – may be made available for global purposes. The reforms in the USSR and Eastern Europe, in so far as they lead to a rise in their living standards, cannot but benefit the global economy. However, there is a danger that, in their preoccupation with Eastern Europe, Western developed countries may further downgrade the priority they attach to international action to promote development in the South.

In recent years, concern about the global environment has significantly increased. Simultaneously, there has been a widening recognition that poverty is a primary cause of environmental damage in the South and that efforts to overcome poverty are vital to world environmental security. Other issues which have recently become prominent – particularly the threat posed by the international illicit traffic in drugs – also call for global action across the North-South divide.

Another trend may also point to the wisdom of greater global co-operation to combat underdevelopment. In the past few years there has been growing turmoil in the South. This is the outcome of various causes, but an important factor is the frustration of expectations, particularly among the young, where economic stagnation or retrenchment have severely narrowed opportunities. Turbulence in the South has so far been a domestic phenomenon, but there is no guarantee that it will be permanently quarantined within national boundaries. There is a growing realization that turbulence in developing countries, caused or aggravated by poverty, unemployment, and frustration among the youth, might be fraught with dangers to international stability.

The world has become increasingly interdependent and, in a sense, integrated. But it has not evolved a system for dealing equitably with this increasing integration. The South is still in a position of subordination and dependence, and this prevents the effective management of the new global challenges. A reform of the international system – particularly of international arrangements governing the flows of trade, money, finance and technology – is therefore an essential need of the world as we approach the twenty-first century. A world in which

one fourth of the people is affluent and three fourths are deprived hardly offers an enduring basis for peace and security. This is all the more true when the disparities between rich and poor are becoming wider. The imperatives for moving towards a less unequal world are steadily becoming stronger.

The Vision: People-Centred and Self-Reliant Development in an Interdependent World

The South is part of a world whose interdependence is constantly widening and deepening, and our vision is of a co-operative world made more secure for all its people.

We would like to see a truly interdependent world organized on the basis of human equality and human variety in pursuit of jointly defined common purposes; where there is peace, security and dignity for all persons and all peoples; where all can take advantage of scientific and technological advances; and where the world's resources are used in a sustainable manner to meet the needs of all rather than to satisfy the narrow interests of a few, so that poverty can be abolished without damage to the environment.

Our vision is for the South to achieve a people-centred development: a form of development that is self-reliant, equitable, participatory and sustainable. We envisage a process of development achieved through the active participation of the people, in their own interests as they see them, relying primarily on their own resources, and carried out under their own control.

The objective should not only be to secure economic growth but also to ensure that it benefits the mass of the people. Development must be conceived as a process which enables human beings to realize their potential, build self-confidence and lead lives of dignity and fulfilment. Development does, of course, require sustained economic growth, for only in an expanding economy can poverty be eradicated. But development cannot be measured solely by the growth of the gross national product. What is produced, how and at what social and environmental cost, by whom and for whom – all this is just as important as a higher GNP. Hence, in conditions of mass poverty, priority must be given to policies aimed at ending poverty, increasing productive employment, and ensuring that the basic needs of all the people are met, with any surplus being

fairly shared. Such goods and services as food, shelter, basic education and health facilities, and clean water should be accessible to all and without discrimination on grounds of gender, race, colour or religion. In addition, our vision includes a democratic form of government, together with its supporting individual freedoms of speech, organization and information, as well as an effective system of justice which protects all the people from actions in breach of just laws which are known and publicly accepted.

We have necessarily approached the problems of the South from the point of view of the South. But we do not see its interests as being in permanent conflict with those of the North. Nor does the self-reliance we counsel for the South imply a turning away from the rest of the world. We do not believe autarky is a viable course for any or all of its countries. Our call for self-reliance is a call to make more effective use of the South's own resources – human, physical, financial and organizational – as the basis of its development.

Our vision goes beyond the South to embrace the whole world. We look to a world in which there is no 'South' and no 'North'; in which there is not one part rich, developed and dominating while the other is poor, underdeveloped and dominated.

The Setting: The Development Crisis and the Retreat from Multilateralism

How insecure the world is for most of its people has been amply demonstrated by the acute crisis which engulfed large parts of the South in the 1980s. The impact on the South of policies followed by the major industrial countries has been magnified by the skewed orientation of the international economic system. And the economic plight of the countries of the South puts them in a subservient position in the world system. They are denied any significant say in decisions about the operation of the world economy, which are more and more concentrated in a few powerful countries of the North. In addition, the revolutionary advances in science and technology are being monopolized by the transnationals of the North.

The drain of resources from the South on debt transactions began in 1984 and still continues. It accounted for the loss of $163 billion in the five years 1984-88. Equally damaging – and even more widespread

in its impact – is the drain of capital attributable to the worsening of the terms of trade.

These trends have combined to produce a virtual breakdown of the economic order in many countries of the South. There has been nothing to halt their slide into deeper debility and instability. A number of them have shown alarming signs of social stress. In many countries poverty has been a factor in the rise in violence.

The early postwar decades had witnessed a tentative recognition of shared responsibility for action to reduce world poverty. There was some evolution towards a global development consensus and a framework of multilateral support for the efforts of developing countries to lift themselves out of poverty. The creation of IDA at the World Bank, the establishment of UNCTAD, IFAD and of the regional development banks, and the provision of new facilities at the IMF were among the developments that signalled this movement.

The increasing deprivation and disarray in a large part of the world in the 1980s should have moved the world community to add to these defences. Instead there has been a retreat from global co-operation towards greater dominance in the world economic system by those with economic power. Multilateral institutions have been weakened by being denied the resources they need; they have also been made instruments for advancing in the South the ideological objectives of dominant countries in the North.

The UN General Assembly held a special session on Development Co-operation in April 1990 while we were finalizing our Report. Its results represent a limited response to the call of developing countries for a revitalization of international co-operation for development. We welcome the recognition given in the Declaration adopted at the session to many of the urgent problems facing developing countries. We regret, however, that such agreement as there was, was more on what to say than on what to do. It did not translate itself into concrete commitments to action and no follow-up mechanism was agreed.

Debt and Adjustment

The North's response to the debt crisis shows how far the world has moved away from a co-operative approach to the problems of the South. Overborrowing by countries of the South was matched by overlending by banks and financial institutions in the North in creating the debt crisis. It therefore called for a solution jointly worked out

between the indebted countries and their creditors. But the North has refused to consider a solution that would be fair to both parties. It has forced debtor countries through the international financial institutions to give primacy to the payment of debt service over every other economic or social objective, including the protection of the living standards of their poorest people.

The South was compelled to adjust not merely to sharply reduced capital flows, with banks refusing new loans, but also to much higher debt service payments. These were the direct product of policies – notably monetarist policies – which were adopted by industrial countries to curb inflation and which led to a dramatic increase in interest rates. The resulting recession squeezed demand for the South's products and depressed commodity prices. The combined effect was to push up debt service ratios in debtor countries, which had to set aside a much larger proportion of their export earnings to pay their creditors.

Closely linked to the debt issue is that of structural adjustment and the tighter conditionality imposed on countries driven by balance-of-payments difficulties caused by external factors to seek IMF support. The need for economic reforms to bring their payments into greater balance and help them recover their growth momentum is not in dispute, nor that such changes must involve a measure of belt-tightening and discomfort. But the policy package the IMF has made its standard recipe has been based on a doctrinaire belief in the efficacy of market forces. Financial liberalization in conditions of inflation has aggravated inflation. Import liberalization when foreign exchange was extremely scarce has enlarged payments deficits, leading to steeper devaluations than would otherwise have been necessary. Pressure to expand exports – exerted simultaneously on a number of developing countries exporting the same commodity – has led to oversupply, causing prices and earnings to sag for all of them. While lip-service has been paid to the need for adjustment to lead to growth, adjustment has invariably stifled growth and, by causing investment to contract, jeopardized future growth. The drive to secure financial balance in the short run has been at the cost of output and employment as well as of consumption. The poorest people have borne the greatest hardship.

What is abundantly clear is that the North has used the plight of developing countries to strengthen its dominance and

its influence over the development paths of the South. Developing countries have been forced to reshape their economic policies to make them compatible with the North's design. While adjustment is pressed on them, countries in the North with massive payments imbalances are immune from any pressure to adjust, and free to follow policies that deepen the South's difficulties. The most powerful countries in the North have become a de facto board of management for the world economy, protecting their interests and imposing their will on the South. The governments of the South are then left to face the wrath, even the violence, of their own people, whose standards of living are being depressed for the sake of preserving the present patterns of operation of the world economy.

The Science and Technology Challenge

Science and technology have been a key determinant of economic progress throughout history, and the speed of scientific and technological progress in recent decades has further enhanced their role as agents of change. But the South can take advantage of advances in this field – and avoid becoming further marginalized within the world economy – only to the extent that it has the capacity to absorb them and adapt them to the needs of its people. The development of scientific and technological institutions and manpower must be an important objective in national and collective planning for the future.

The South's progress in this sphere is also critically dependent on international arrangements. Developing countries are almost entirely buyers of technology in the international market, in which the sellers enjoy unchallenged dominance. Moreover, the present world intellectual property system – of patents, trademarks and copyrights – gives the North's sellers of technology monopolistic rights in the markets of the South. If the South is to benefit from the advances of world science and technology, this state of affairs needs to be changed to its advantage.

The South Commission Report

The Commission's Report, compiled after three years of study and discussion, outlines the directions in which we believe the South should move to make its future more secure.

Overview and Summary

We address our recommendations primarily to the nations of the South. The responsibility for securing its development rests with the South, and it is its own efforts that will primarily determine its success or failure.

The South is not, however, a separate entity; it is a part of an interconnected world, with a multitude of links to the North, and it is constantly influenced by what happens in the North. Northern markets, technology and finance will continue to be important to the South's progress. And policies followed in the North will continue to have an impact on the South's performance. Some of our recommendations are therefore addressed to the North.

A Three-Part Agenda

We have divided the agenda of action we propose for the South into three parts. The first concerns domestic policy within the national setting. The diversity of economies within the South precludes a uniform strategy, yet certain principles and objectives need to guide the development courses of all countries. We address the imperatives of collective self-reliance in the second part. A much more vigorous drive to strengthen co-operation among the countries of the South is of supreme importance in the present circumstances to reinforce their capacities for growth. The South's solidarity is equally essential for improving its position within the world system of economic relationships – the third part of the South's agenda. Our recommendations are designed as a comprehensive approach to the problems which the South – its countries and its people – have to overcome.

II. The National Dimension: Self-Reliant and People-Centred Development

The South cannot count on a significant improvement in the international economic environment in the 1990s. With growth impulses in the North having only a weak resonance in the South, growth must be generated from within the economies of the South. Maximum self-reliance must therefore be the keynote of its renewed development effort. If only for this reason, the new development strategies cannot be a replica of those of the past. Pursuing a self-reliant and people-centred development strategy will require the South to draw lessons from the limitations and failures of past efforts. Their weaknesses need to be remedied by fundamental changes in approach and priorities.

An important lesson from experience is that satisfying basic needs should have priority, both on grounds of equity and to sustain economic growth at a rapid pace. Development patterns that by-pass large segments of the population and development strategies which assume that increases in the gross national product will automatically benefit the poor, have revealed inherent limitations and contradictions; these have eventually distorted or arrested growth. Meeting basic needs is the cornerstone of a sustainable strategy of development. Where these needs are unsatisfied, governments should, as a minimum, undertake realistic programmes to make food security, primary health services and literacy universal, and to provide basic education to all.

People-centred development also requires democratic structures and institutions, appropriate to the culture and history of each country. These are necessary if a consensus among citizens on the goals of development is to be reached, and a just and stable social system created in which both the costs and benefits of development are equitably shared. Without a democratic framework, social tensions and conflicts cannot be resolved peaceably, and could negate even those gains that may have been achieved.

The objective of people-centred development can be achieved only

within a rapidly expanding economy. High rates of growth are indispensable to generate the resources to satisfy basic needs and support a progressive increase in living standards. Achieving universal food security will, for example, involve considerable investments by both governments and the private sector. Similarly, providing universal primary health care and sufficient educational facilities of a high standard require large investments.

A dynamic economy is critically dependent on a high level of investment. Given the generally hostile international environment that most developing nations face, the bulk of such investment will need to be mobilized internally. Countries will need to establish institutions and inculcate values that encourage savings – and efficiency in their use – in both the public and private sectors.

Creating an environment in which high rates of savings and investment can be realized calls for a style of development that is indigenous and in harmony with the people's cultural heritage. The South can ill afford to copy the consumption patterns and life styles of affluent societies. In a developing country, such patterns not only divert resources from the satisfaction of broad public needs but also, by fostering the conspicuous consumption of a few while neglecting the needs of the many, encourage social tensions and strife.

Another key determinant of a country's rate of growth is its ability to master and use modern science and technology, including the increasingly complex and rapidly developing knowledge-based technologies. Clear policies and guidelines for science and technology will therefore need to be a part of development plans in the South.

In the last two decades the 'hidden' environmental costs of past development efforts have become increasingly apparent. In some countries the degradation of natural resources has gone so far as to result in the abandonment of large areas of formerly productive land. Development efforts must protect and, to the extent possible, improve the environment. It would indeed be short-sighted to put future growth – and future generations – at risk.

It is also necessary to determine the appropriate balance between the State and market forces in the development process. An important lesson from experience is that sustained development is unlikely in most circumstances to be achieved solely by the State or solely by the private sector, but requires strong public and private institutions

working co-operatively for democratically agreed objectives. Finding the right balance is therefore a key task for policy-makers.

The goals of development and democracy alike call for action to reverse the tide of militarization. In some countries, governments have had to incur heavy military expenditure in order to counter insurgent or secessionist movements. External factors have played a part in some regions. Direct military threats have left no option for some countries but to step up expenditure for self- defence. But only a few countries can rightly claim that their military budgets are proportionate either to any external threats or to their resources. The countries of the South need to be more vigorous in working out ways of settling disputes peacefully. Military expenditure diverts resources from development and from actions to satisfy the people's needs. The growth of a military culture, moreover, tends to breed contempt for democracy and the rights of the people.

Another evil the South must tackle is corruption. Excessive centralization of economic decision-making and inadequate systems of public accountability are apt to create fertile conditions for corruption. The illicit traffic in drugs and the arms trade have also been factors in the rise of corruption in some countries. Governments should give greater priority to rooting out corruption and insist on higher standards of probity in public life. In the last resort, the effective functioning of democratic systems is the best safeguard against corruption.

Each country's development strategy must necessarily be specific to its stage of development, size, resource base, cultural heritage, and other national characteristics. But a strategy for self-reliant and people-centred development will need to be guided by certain common principles and objectives. In the light of the lessons learned from the development experience of the South, the Commission has recommended a set of broad economic policy measures designed to achieve the fundamental objective of meeting the people's needs through a development process that combines high rates of growth with equity while being, at the same time, environmentally sound.

Food Security

In many developing countries, meeting basic needs will in the first instance require the eradication of chronic food insecurity. Their strategies should encompass the following:

- Land reforms which – taking account of local characteristics – lead to equitable patterns of ownership and more efficient land use and give farmers an incentive to improve productivity.
- The reorientation of investment and promotional policies in favour of small peasants and co-operatives, along with increased expenditure on infrastructure. Agricultural research and extension services should be expanded and focused on technologies that suit small farmers and protect the environment. Smallholders' access to credit has to be greatly enlarged. Special attention should be given to women as major food producers in terms of training, extension and access to inputs and credit.
- Increasing off-farm employment, both in productive rural works and in rural industries, especially in countries with limited scope for redistributing land.
- The reform of tariff, exchange rate and domestic price policies so as to offer incentives for expanding food output.
- Measures to broaden the access to food among the rural and urban poor, such as the generation of opportunities for employment and a better targeting of food subsides, and action to raise the income and productivity of the urban poor, including support for the informal sector and well-targeted basic social services.

Human Resources

Investments in human resources, by improving people's capabilities, simultaneously foster equity and efficiency; they thus have a strategic role in people-centred development. The countries of the South should undertake to achieve by the year 2000 universal primary health care, universal literacy, and education for all children of primary school age. They should also aim at a substantial increase in enrolments in secondary and higher education and in vocational and technical training. Special efforts are needed to improve education, health services, water supplies and sanitation in the rural areas.

Priority needs to be given to the creation of more extensive and more effective delivery systems in order that the services may reach the poorest people. On account of the resource constraints in many countries the expansion of education and health services will call for reforms in social policies, including a more equitable distribution of social expenditure. In providing health care, greater use should be

development, should favour small-scale, labour-intensive industries and rural enterprises processing local materials. These increase the employment-generating effects of industrialization, lead to beneficial links with agriculture, and help to narrow rural-urban disparities.

- Indiscriminate and excessive protection and subsidies must be avoided in order to promote efficiency and technological dynamism.
- Measures should be taken to avoid the concentration of economic activities in large urban centres and to promote their dispersal.
- Full advantage should be taken of the substantial opportunities, including export opportunities, open to the services sector. Efficient service industries can contribute a great deal to enhancing the competitiveness of agriculture and industry.

The reform of industrial, trade and exchange rate policies should aim at building up a dynamic manufacturing export sector and efficient import substitution industries. Expanding the production of goods for export to provide the finance for imports of essential capital and consumer goods needs to be an important component of a high-growth strategy. Despite barriers in developed countries, there is still considerable scope for stepping up exports of manufactured goods from the South.

Success in exporting manufactures depends on a range of internally consistent policies:

- A stable and predictable macroeconomic framework and in particular a realistic exchange rate are vital conditions.
- A flexible system of protection can play a useful role, with protection rationalized in line with long-term comparative advantage. Tariff and exchange rate policies should not discriminate against exports, and industrial policy and public investment should support export efforts.
- The public sector should establish or encourage export promotion institutions and endeavour to open up marketing channels.

Appropriate specialization in production and trade is particularly important for small countries; because of their limited internal markets, they must rely on exports to achieve industrial development. Integration with other countries in the region can help them to exploit economies of scale and to negotiate stable joint export arrangements with major trading partners.

Closing the Knowledge Gap

The scientific and technological revolution of the last two decades has created a new setting in which success in development will depend even more than earlier on the ability to benefit from science and technology. A widening knowledge gap threatens the economic prospects of the South. Closing this gap will be essential to strengthen the South's ability to make science and technology choices and use scientific and technological advances for development.

To face this challenge, developing countries need rapidly to build their own human skills and institutional capabilities so that the pace of absorption and diffusion of science and technology can be substantially accelerated:

- Science and technology need to be integrated into national development plans – with sectoral priorities carefully selected – and backed by adequate resources.
- Most countries need to spend more on research and development. For the South as a whole, spending on R&D should be doubled, so as to bring it close to the 1 per cent of GNP recommended by UNESCO.
- An effective transfer of technology cannot take place in the absence of capabilities in basic sciences. Adequate stress has therefore to be laid on education in basic sciences and an effective system of research.
- Both in secondary schools and at university level the proportion of students following courses in science and technology should be raised. The goal should be at least to triple the number of scientists and engineers.
- A science and technology culture should be actively fostered, and on-the-job technical training in public and private enterprises encouraged.
- Links between production units and research and development centres should be strengthened.
- Financial institutions should provide special facilities for entrepreneurs harnessing new technologies for productive use. In some countries, venture capital funds could provide such facilities.

National priorities should reflect the level of development, resource endowment, and the thrust of future growth. There can be no single model for all countries. None the less, the first area to be

made of traditional systems of medicine, especially those based on medicinal plants. Tighter priorities, a better distribution of expenditure and greater attention to cost-effective delivery can help to overcome resource constraints.

Rapid population growth rates present a formidable problem for most developing countries. Action to reduce them through integrated population and human resource planning can ease the pressures on the economy to provide jobs and lead to more benefits from investments in human resources. Developing countries should devise effective population policies, giving priority to improving child survival rates, expanding female education, and raising the social and economic status of women along with a rapid extension of family planning services. While the impact of measures to moderate population growth will be felt only in the long run, they must be taken now to ensure the well-being of future generations.

A commitment to improving human resources requires that the South's policies should be designed, and their implementation assessed, in terms of broader social goals than an increase in per capita gross domestic product. Such assessment involves the use of a range of social and economic indicators which adequately encompass social welfare and human development in their widest sense. The compiling of such indicators should be high on the agenda of development planners.

Industrial and Trade Policies

A rapid pace of industrialization is essential to achieve high rates of economic growth and to generate employment and raise incomes. But the past patterns of industrialization leading to small areas of affluence surrounded by much larger areas of poverty and backwardness need to be avoided. Future strategies must improve on those of the past:

- The emphasis should be on the development of a mass market for basic goods, the strengthening of industry's links within the national economy, increased and more efficient use of local resources, economy in the use of energy and imported inputs, and on enhanced international competitiveness designed to increase exports, particularly of manufactured goods.
- Even though capital-intensive techniques will be required in many industries, incentives, as well as publicly-supported research and

developed will usually be classical low technology, followed by applied sciences provided that some expertise in basic sciences is already available. The last area to be developed will generally be science-based high technology. Large and medium-sized developing countries seeking to compete in the world market will generally have no option but to make simultaneous advances in all four areas of science and technology.

The Roles of the State and the Market

Governments need to review carefully the respective roles of the State and of market forces in development. In this context, it is necessary to distinguish between three economic roles of the State.

In all countries, the State has to be responsible for the orderly and stable management of the economy as a whole. It must apply consistent fiscal, monetary, trade, and exchange rate policies so as to create a favourable environment for investment and growth, avoiding inflation and unsustainable external deficits. While the specific policies will vary from country to country, all countries must recognize that sacrificing fiscal and monetary discipline and permitting inflation to get out of hand will harm both growth and equity. A tax system which is broad-based, elastic and progressive and does not dampen the incentive to save and to bear risks can enhance the State's development effectiveness. Tax reforms should receive high priority in a large number of developing countries.

The State's second role is in planning and in regulating economic activities. A situation in which market forces create a pattern of resource allocation or income distribution inconsistent with national objectives can justify State intervention. But how effective its intervention is depends on the State's administrative efficiency and its ability to act with speed and accuracy as conditions change. An overextended and overcentralized administrative system can be counterproductive. Decentralization and reform of the price systems can both make decision-making quicker and help to enlist popular participation in development. Most countries need to review their regulatory policies so as to ensure that they do not hamper entrepreneurship, technical advances or competition.

The State's third role – as an entrepreneur – will be influenced by the social philosophy of the government, the capacity of the private sector, and the State's management capabilities. However, we believe that for most developing countries, the State should now be more selective and discriminating – as well as more efficient – in this role. It is also important that countries assigning a large role to the public sector should pursue policies which enable it to perform its allotted tasks with efficiency. Many countries need urgently to improve performance as well as resource generation in public enterprises. These can succeed only if they have a high degree of financial and operational autonomy, a manageable number of clear commercial and social objectives, and transparent accountability. Government control should be exercised only in strategic areas such as the setting of broad economic and financial targets.

Democratic institutions can considerably enhance the State's effectiveness by fostering national consensus on the goals of development. Accountability to the public, transparency of government activities, an independent judiciary, and the freedom of the media are essential to a democratic system. They can equally help to curb corruption, which saps development efforts and harms society.

Critical to the success of the State will be institutional reforms to improve its organizational and financial capabilities:

- Administrative processes should be modernized to enable the State to perform its functions effectively. In many countries, moreover, the administrative skills of public servants need to be raised.
- The mechanisms of the State for generating and allocating resources should be improved. This involves enhancing the equity and efficiency of tax systems and strengthening the performance and resource-generating capacity of public enterprises.
- Far-reaching reforms in development planning are required to ensure a stable, balanced and development-oriented macroeconomic framework, and to promote economic decentralization and the people's participation in the planning process.

Supporting the Business Sector

As important as the reform of State institutions and the improved management of the public sector is the creation of an environment

conducive to entrepreneurship, both private and public. Sustained growth and development require the full and efficient participation of the business sector, including public enterprises, private firms, co-operatives, other socially-owned enterprises, and micro-business. The relative importance of these elements will vary from country to country. However, the successful examples of development in the South clearly show that economic growth is vigorous only in a climate in which the business sector – as defined above – can thrive.

The thrust of government policy should be to promote entrepreneurship, competition, innovation and technical progress, and strengthen the ability of the business sector to seize opportunities in both domestic and international markets.

The success of the business sector is tied to stability and predictability in the environment in which it has to operate; governments must create a macroeconomic setting which is conducive to enterprise and remove bureaucratic impediments that discourage investment and innovation.

The Gender Dimension

A development strategy committed to equity and participation must also give priority to raising the social and economic status of women. Throughout the South, women play a vital role as producers and agents of social progress. Yet they carry the double burden of discrimination and greater than average poverty. No nation can truly develop so long as half its population suffers discrimination. It is, therefore, essential that development programmes should purposefully seek to advance women's status in society, ensuring that women's concerns are treated in a comprehensive manner, adequate resources are made available to meet their needs, and the obstacles they face in important economic areas are eliminated.

Macroeconomic policies, especially those bearing on the allocation of resources and technological choices, need to take account of their likely impact on women's productive activities. Policies ought to be pursued that enhance women's income-earning capacity and give them a fair share of social services. Women's right to social justice and equity should be legally protected. Deliberate endeavours to foster a gender-sensitive culture should support these reforms.

The Cultural Dimension

Development strategies must also be sensitive to the cultural roots of the society and set themselves the goal of promoting culture – the creative expansion, deepening, and renewal of society's cultural stock. Governments should consider the adoption of Cultural Development Charters setting out the basic rights of the people in the field of culture, the principal policies for translating these rights into reality and the role of the State in the process.

The Environment

While the custody of the environment calls for a global approach, the South must itself do all it can to counteract environmental degradation. It has no alternative but to pursue rapid economic growth, and hence industrialization; it must therefore control the environmental hazards that go with growth and, through urban planning, reduce the environmental pressure in its large cities.

The countries of the South should adopt an integrated, environment-sensitive approach to their development. While in the long run what will be crucial are policies to slow down population growth, there are several directions in which governments could act to limit damage to the environment:

- The pressure on natural resources should be relieved by: improving the productivity of smallholder agriculture; the rational management of rangelands, water resources and forests; encouraging rural industry to expand off-farm employment; and a better regional balance in the allocation of resources to avoid high population concentrations in a few centres.
- There should be strict controls on air and water pollution by industries.
- The use of energy-efficient and environmentally safe technologies should be encouraged, and the North should be pressed to transfer them at a cost the South can afford.

Measures to protect the environment need to be supported by campaigns to make the people aware of environmental concerns and mobilize their interest in environmental protection.

III. The Strategic Role of South-South Co-operation

The need for developing countries to rely on their own resources and efforts to revitalize development in the 1990s applies not only at the national but also at the South-South level. Increased reliance on the collective resources of the South, through diversified and reinforced processes of political, economic and social co-operation, will be of vital importance in the response of developing countries to the many challenges they face. By expanding the flows of finance, trade, technology and skills within the South, through stronger links which take advantage of complementary assets, South-South co-operation can fortify the development of all countries of the South.

The strength the South can gain by making more use of its collective energies will give it greater importance in the world economy and a more favourable position to exert influence on global economic management. Pursued with determination, South-South co-operation can in the long run change the world economic map; criss-crossing links within the South can mitigate the dependency that imperial rule built into North-South links.

The search for a more rational and equitable world order, which the South has pursued for so long, requires a more effectively organized South to present its case and negotiate its demands in world forums. On the issues that concern humanity in common no less than on those of special relevance to the South, it is necessary that the South should speak with one voice. It is equally necessary that its voice should not go unheard — or unheeded — because of its organizational failings.

To look for strength in solidarity has throughout been an instinct of the South. It found expression not only in the Non-Aligned Movement and the Group of 77 but also in a wide range of mainly regional and subregional arrangements for trade and, in some cases, wider economic co-operation. The 1970s were a dynamic period for co-operation among developing countries; in that period South-South trade nearly doubled as a share of world trade. OPEC's initial success demonstrated what collective action could achieve; in addition, the financial surpluses of its member countries were a significant source

of development aid and investment funds for the South. In the 1980s, however, the prolonged development crisis imposed strains on the South's arrangements for collaboration.

The setbacks of the past decade do not diminish the rationale for South-South co-operation. On the contrary, the downturn in the global climate for development – and the prospect that Northern growth will provide less traction for the South – makes collective efforts even more vital. At the same time, the diversification that has taken place within the South provides more scope for co-operation. New areas of economic vitality, as in East and South East Asia, have created opportunities for exploiting complementary resources and enlarging South-South co-operation.

The Commission was greatly heartened by the decision by a group of developing countries in Belgrade in 1989 to set up a Summit-Level Group for South-South Consultation and Co-operation. This is an important step towards giving organizational strength to the South.

As a contribution to the formulation of a comprehensive approach to South-South co-operation, we have selected several priority areas; action in these areas should provide renewed dynamism to South-South co-operation.

The Foundations and Priority Areas for Co-operation

Increased co-operation must be built on an ethos of pride and confidence in the South and commitment to South solidarity among all sections of society. It is only on such foundations that there can be durable bonds of partnership between the nations and peoples of the South. The level of South consciousness must be raised, and public sentiment generated in favour of links within the South, by an active process involving both the educational system and the media. There need to be efforts to create a wide constituency for South-South co-operation embracing the business community, the professions, women's organizations, trade unions, and other social groups. People's contacts should be fostered through professional and other non-governmental organizations, cultural and sporting exchanges and through tourism. Information flows should similarly be expanded.

The success of these efforts – and of South-South co-operation as a whole – will be determined by the vision and performance of national leaders. It is vital that they should back professions of commitment to

solidarity and collective action by wholehearted support for practical co-operation; leaders must muster the political will to turn rhetoric into reality.

As a corollary, they must give greater priority to South-South co-operation within the machinery of government. The implementation of decisions taken by collective organs of the South, including regional agencies, rests crucially on supportive policies and institutional arrangements within each country. These could be best assured by designating a minister of cabinet rank to be responsible for fostering South-South co-operation, with the authority to ensure that national planning takes explicit account of the commitment to co-operation, to pursue the strengthening of South-South links and to see that national obligations flowing from collective decisions are fulfilled. This should be complemented by the creation of a national committee, with prominent personalities from different walks of life, to reinforce the national drive to enlarge South consciousness and to mobilize public opinion in support of South-South co-operation.

Educational links within the South should be expanded, with the accent on scientific, technical and vocational courses and the development of managerial and entrepreneurial skills. Selected institutions should be supported as Centres of Excellence to provide training for students from countries of the South. A Foundation should be set up to offer at least 10,000 South Fellowships a year for study within the South; a proportion of these should be set apart for students from least developed countries. Exchanges of staff and teaching materials among universities, particularly in the newer scientific fields like molecular biology and genetic engineering, should be part of the programme of South-South co-operation. These should be complemented by a programme of collaborative research pooling scientific capacities within the South.

Finance and Debt

South-South co-operation, especially in trade, requires substantial finance. Increasing the resources available for this purpose is therefore an urgent task.

- Additional resources should be provided to clearing and payments schemes so that their effectiveness is improved by the ability to extend credit.

- Existing export credit facilities should be enlarged, and new facilities created to serve regions that now lack them.
- The regional development banks should give more support to schemes of subregional and regional co-operation; support should include the refinancing of export credits, and finance for subregional and regional projects and programmes.
- The World Bank should set up a facility to refinance export credits given by developing countries, and should fund an increasing number of projects involving two or more developing countries.
- The IMF should establish a facility to support schemes for trade liberalization and expansion among developing countries.
- UNDP should use a significant proportion of its funds to support South-South co-operation, including the Global System of Trade Preferences (GSTP) and associations of commodity producers.
- Developing countries in a strong economic position should extend development assistance of varying degrees of concessionality to poorer countries.

Determined efforts should be made to establish a South Bank. The setting up of a multilateral bank of the South, under discussion and study for many years, could help to fill critical gaps in financing needs. OPEC surpluses have dwindled, but there are sources of capital within the South that could be mobilized through appropriate arrangements. A bank of the size and scope first envisaged may not, however, be feasible; the South should lower its sights and set up a bank initially to provide finance for exports and for clearing and payments arrangements. In due course it could widen its operations. Pending participation by all developing countries, the bank should be set up by a broad group of countries.

The wide-ranging support for co-operation within its region offered by the Arab Fund for Economic and Social Development illustrates how useful a multilateral bank of the South could be.

An equitable solution to the debt problem, with debt servicing reduced to levels that allow economic recovery to take place, is crucial to development and, in many countries, to social and political stability itself. A solution is more likely if the debtor nations stand together in defence of their interests. Such action, consonant with the collective self-reliance we commend to the South, is necessary to change the present situation in which individual debtor countries stand alone in facing a phalanx of banks, countries and international financial insti-

tutions. Recent developments give added relevance to the Commission's call for a debtors' forum, made in its *Statement on External Debt* in February 1988. Through such a forum debtor countries could consult each other, co-ordinate their debt management policies, and consider the possibilities of concerted action. It would also help them to make a common stand at the international conference on debt which we propose. Co-operative action involving both creditors and debtors is undoubtedly the preferred course. In the absence of a jointly agreed solution, however, such a forum would help debtor countries to undertake the defensive unilateral action which would be the sole option left to the South.

Developing countries are being forced to rely increasingly on the IMF and the World Bank, and to accept conditionality and performance norms of a far-reaching nature. Not all countries are well equipped technically to negotiate with these institutions and secure the best possible arrangements. In view of this, the Group of 24 should set up a group of experts to assist developing countries which require advice in such negotiations.

Trade and Commodities

The Global System of Trade Preferences (GSTP), which became operational in 1989, is based on the advantages to be gained from promoting trade within the South as a whole. Its establishment is an important achievement. It offers a framework for expanding trade by lowering tariff and non-tariff barriers, and for reducing the heavy dependence on markets and suppliers in the North. A framework is, however, only a start; the South must now give it substance, and aim to have a significant proportion of South-South trade liberalized under the GSTP by the year 2000. A technical service should be set up to assist the scheme's implementation; it should draw up a timetable for enlarging GSTP activities in the 1990s.

State trading agencies should be used more actively to step up South-South trade. They should work jointly in import purchases, export promotion and marketing, warehousing, freight and training. The Association of State Trading Organisations should prepare a programme for extending such co-operation in the 1990s.

Developing countries should study the scope for making more use of countertrade, including buy-back arrangements; they should

also consider forming an organization to act as a broker for countertrade transactions, eliminating the use of intermediaries in the North.

Primary commodities are still the mainstay of many economies in the South. Their extreme vulnerability was further confirmed by the sharp fall in commodity prices in the 1980s, and technological advances in the North will continue to pose threats to the competitiveness of export commodities. Many attempts to achieve producer/consumer co-operation in securing stable markets for commodities have failed, while competition among producers has pushed prices further down. Developing countries producing commodities in the world exports of which the South accounts for a predominant share should form associations with a view to obtaining remunerative and stable prices through supply management or market intervention. In due course, these associations could set up a joint body to co-ordinate action for a range of commodities.

Tropical beverages are produced wholly in the South. Countries producing tea, coffee, and cocoa should take the lead in introducing rational and fair systems for their international marketing.

Co-operation among commodity-producing developing countries should also extend to consultations among themselves with a view to establishing common positions in negotiating international commodity agreements and in dealing with consumer countries.

Business and Industry

While trade liberalization and expansion are important, joint action to promote investments and stimulate agricultural and industrial production is also necessary to unlock the full potential of South-South collaboration. It must serve to exploit the South's complementary resources in finance, natural resources, technology, markets and managerial talent. With the advances made by many countries in the South, there is now more scope for involving the business sector, both public and private, in joint undertakings. This is a vital direction for future co-operation.

There are now many multinational companies in the South, with impressive financial, technological and managerial capabilities. They are an important asset, opening the way for joint production arrangements in many areas. There is scope for joint ventures in, for example,

the fertilizer, petrochemical, energy and capital goods industries, as well as in the manufacture of basic consumption goods. The joint production of generic drugs in common use could, for instance, lower health service costs in countries that now depend on Northern suppliers. Programmes of industrial co-operation should lay emphasis on the need to assist the least developed countries to expand and diversify their exports.

Developing countries should give investors from the South more favourable treatment than they give to foreign investors generally. In return, the investing companies should agree to observe the norms advocated by the South for transnational companies from the North.

Consortia of consultancy and design firms and of industrial research institutes should be set up, and a network of consultants able to undertake feasibility studies in other developing countries should be established.

United Nations agencies should maintain rosters of experts and consultancy firms in the South and make the information available to governments. Measures should be taken to increase the use of experts and firms from the South and there should be annual reports on the number of such experts and firms employed and their proportion in the total.

The efforts to establish an Association of Third World Chambers of Commerce and Industry should be intensified. The Association should be given sufficient resources and institutional support to be an effective instrument in business co-operation. The flow of information on investment laws and practices, manufactures, markets, technology, and services in the South should be improved.

The Group of 77 and the Non-Aligned Movement should set up a standing committee to review co-operation in business and industry and suggest measures for its enlargement.

Services

Many developing countries are unlikely to be able to make significant headway in the services sector on their own; this makes it necessary that the development of this sector should be pursued through the South's economic co-operation arrangements. Important objectives should be the creation of an adequate infrastructure, particularly in telecommunications and informatics; the development of producer

services with close links with the productive sectors; and the improvement of the trade balance in services. The expansion of such services as banking, insurance, telecommunications and transport can be vital to efficiency in the industrial sector as a whole.

Food Security

Action to improve food output and security should have an important place in co-operative efforts. Agricultural and agro-industrial projects should be among the joint enterprises promoted by the South. Joint ventures in farming, particularly between food surplus and food deficit countries, should be encouraged. Similarly, co-operation in research, taking advantage of the advances made by some countries in agricultural technology, particularly for arid zones, should be strengthened and extended to the field of biotechnology. Full use should be made of the network of institutions under the Consultative Group for International Agricultural Research (CGIAR).

Long-term supply arrangements between food surplus and deficit countries are desirable; so is a commitment by food exporting countries to give priority to supplies for countries facing critical shortages.

The practice of holding regional food stocks for use in emergencies – as already happens in a few regions – should be extended to other regions.

The South should initiate a long-term co-ordinated programme to help Africa modernize its agriculture and become self-sufficient in food.

Science and Technology

Co-operation within the South can substantially assist national efforts to narrow the knowledge gap in science and technology with the North and build up capabilities in applying the advances of science to its development needs. A priority task should be to prepare a strategy for scientific co-operation.

The Centre for Science and Technology of the Non-Aligned and Other Developing Countries should, in co-operation with other institutions in the South, draw up a programme for co-ordination and co-operation in scientific and technological research, identifying areas for joint activity.

Core activities should be selected for collaborative research at regional and interregional levels in conventional areas like agriculture and energy as well as in such new areas as biotechnology and microelectronics. Partnerships between scientific institutions should be complemented by links with productive enterprises that could lead to the commercial use of research results.

Higher education, particularly in the scientific, technical and professional fields, calls for the extension of collective self-reliance. Many countries cannot hope to be self-sufficient in educational facilities at this level. There is also a clear need to reduce the costly dependence on institutions in the North. This could be achieved by making wider use of the many universities and technical colleges of high standing already established in the South. Our proposals for a network of Centres of Educational Excellence and a Foundation to offer scholarships are designed to lead to a significant expansion in South-South flows of students. Technical and vocational training could be improved by technical assistance schemes under which newly industrializing economies are able to offer teachers and apprenticeships to other developing countries. Over time exchanges of students and trainees will also prove valuable in raising the level of South consciousness.

Attention should also be given to setting up jointly funded, specialized, research-cum-training institutions in different parts of the South to offer able scientists from developing countries the opportunity to work in the South and for the South. Developing countries should support the efforts to create a South network of 20 centres of advanced research specializing in high technology and environmental sciences. The work of the Third World Academy of Sciences and the Third World Network of Scientific Organizations in promoting South-South co-operation should also have the support of the South.

Developing countries should undertake joint studies of the implications for them of advances in such new technologies as microelectronics and biotechnology and in the use of new materials, robotics and fibre optics.

The Environment

In their efforts to protect the environment, developing countries have scope to co-operate with each other in several directions: in managing

shared natural resources, especially river basins, coastal areas, forests and wildlife; in such activities as offshore oil exploration, the management of exclusive economic zones and the prevention of desertification; and in such areas of research as renewable energy, specially biomass and solar power, and the efficient use of energy in industry, agriculture, transport, and homes.

The South should adopt a common approach in negotiating with the North to ensure an equitable management of the global environment and should sponsor arrangements for sharing technologies that help to conserve energy and reduce environmental pollution.

Information and Communications

Efforts to build up South consciousness and solidarity as well as to strengthen economic co-operation will benefit from improved flows of information within the South. Links between the media in the South and South-South flows of information through the media should be intensified. Advances made by individual countries as well as in collaboration between countries should be widely publicized.

Links should also be strengthened between national data banks in the South, reducing dependence on Northern sources for data in important areas. The South should use the opportunities provided by South-owned satellites to improve communications and information links within the South.

People-to-People Contacts

People-to-people contacts should be strengthened through cultural and sporting exchanges and other activities, as well as through links between voluntary organizations in a wide variety of fields.

Restrictions on tourist and business travel need to be greatly eased. Visa requirements should be eliminated on a reciprocal basis. Where foreign exchange is a severe constraint, special clearing accounts should be set up to facilitate tourist travel.

Regional Co-operation

The subregional and regional organizations of the South set up in the past few decades are a vital set of building blocks for collective

self-reliance. Paradoxically, while the North has been seeking new advantages through regional groupings, a number of the South's initiatives have been allowed to weaken. The pressure of domestic crisis management during the past decade was the main factor accounting for this decline. The adverse global environment, however, makes it incumbent on the South to revitalize these instruments of co-operation. Each of them should work out well-defined action plans up to the year 2000, with clear priorities and goals.

Governments should increase their support for regional and subregional trade expansion schemes by reducing exchange controls and trade restrictions, widening the range of products covered by preferences and deepening preferences.

Trade expansion should be supported by the regional co-ordination of investments in selected fields, and the regional organizations should identify opportunities for efficient import substitution. Each grouping should move towards harmonization of development plans and policies within its region.

The larger and more advanced countries within each grouping should pay particular attention to the needs of the least developed members, and assume a degree of responsibility for their progress.

The countries of the South should make more vigorous efforts to resolve conflicts and preserve peace in their regions. The organizations established to promote economic co-operation could provide a setting for consultations to ease tensions or act as channels through which countries not party to a dispute can offer their good offices.

A Secretariat for the South

The South's collective endeavours have been seriously hampered by the lack of any permanent mechanism to provide intellectual, technical and organizational support in negotiations with the North and in promoting South-South co-operation. Neither the Non-Aligned Movement nor the Group of 77 has anything more than rudimentary arrangements for support. Hence, the South is at a great disadvantage, particularly in dealing with the North, which has, besides strong national resources, the backing of the well-staffed OECD secretariat, with its extensive facilities for research and consultations. The increasing range and complexity of issues on which the South must safeguard its interests, formulate common positions and engage the North, make it

very necessary that the South should have a secretariat at its collective service. There is equal need for institutional backing for the South's efforts to enlarge South-South co-operation, particularly at the inter-regional level.

We are convinced that a facility of this nature is vital for the success of the South's collective efforts and that the South should address this matter with a high sense of urgency. The formation by 15 developing countries of the Summit-Level Group for South-South Consultation and Co-operation, whose leaders will meet regularly, makes the case for a secretariat even more pressing. We envisage a secretariat being at the service of this Group as well as of the Group of 77 and the Non-Aligned Movement – as a secretariat of the South.

Our Report outlines the main functions this secretariat should carry out in supporting the South's efforts to realize its collective objectives. While we very much hope that the proposal for a secretariat will receive widespread support, we do not believe that its establishment should depend on unanimity among the countries of the South. So long as there is substantial enough support to make its setting-up feasible, a start should be made.

IV. North-South Relations and the International System

The debt crisis, the collapse of commodity prices and growing protectionism in the North have amply confirmed that the present relationships between South and North are inimical to the progress of the South. The enormous and increasing difference in economic power between North and South is a reflection of the international division of labour, which has condemned the South to specialize in low- value-added, low-technology production and exports.

We believe that sustained development in the South necessitates a fundamental restructuring of the international economic system. We also believe that, in the process, a fairer more rational and more lasting world economic system can be built. Just as the South cannot develop without a more favourable international environment, lasting stability in global relations calls for progress in the South and greater global equity. International economic reform, while being a demand of the South, is equally a need of the international system. The reform must cover the international financial, monetary and trading systems. A central need is to set up arrangements to provide for the transfer of adequate resources from developed to developing countries to accelerate development in the South. These should include contingency mechanisms to ensure the orderly continuation of development efforts in the face of unexpected shocks. The reform of the international trading system should give priority to improving the access of developing countries to the markets of developed countries. The new global system also requires fair international regimes for science and technology and for the management of the environment and the global commons. International institutions should be made more democratic, more effective and more supportive of development.

Debt

The revival of development in a large number of developing countries requires international action to reverse the present trend in resource transfers which has prematurely made these countries net exporters

of capital. It is a long-accepted principle of international economic policy that developing countries should be able to expect a positive net flow of resources to supplement their domestic savings. The present situation is the reverse: an absurd and intolerable transfer of resources to the North.

This state of affairs must be changed as an urgent priority through an equitable solution to the debt problem. The point must be accepted by the international community that, for reasons beyond the control of developing countries, their external debt is not repayable in full, and that its nominal value will not be paid.

The Brady initiative is only a cautious first recognition of the force of this argument. Its limitations have been revealed in its implementation so far, and it is clearly inadequate. What is needed instead is a concerted approach to achieve debt reduction and debt service reduction simultaneously. Negative resource transfers should be ended and debt service related to the ability of the economy to pay and to grow. The amount of debt service should be determined by the level of resources a country needs to revive growth and sustain it at a rate that allows per capita income to rise by at least 2-3 per cent a year. The issue should be the subject of intergovernmental negotiation. We reaffirm the need for an International Debt Conference with the participation of the debtor governments, the governments of the creditors, and the international financial institutions. Its mandate would be to arrive at a binding international agreement on a framework solution.

A global solution to the debt problem must include relief for the least developed countries. Their total debt is not large in absolute terms. However, in relation to the size of their economies and their exports, their debt is a heavy burden in most cases. A solution to the debt issue should lead to a reasonably quick resumption of growth in those economies. It should involve the full write-off of their bilateral official debt – already done partially by a number of donor countries – the extension of debt cancellation to other low-income countries that may be less poor but are still heavily indebted, and the refinancing on concessional terms of the nonconcessional bilateral official debt, as well as the multilateral debt, of all countries concerned. The establishment by the World Bank of a debt reduction facility for low-income countries that have access to its resources only through its soft-loan affiliate, IDA, is welcome, but the sum of $100 million being made

available to the facility is insufficient. A substantial increase is needed.

Financial Flows

In the long run, the countries of the South should be able to generate enough savings for investment from their own resources. However, in the initial stages of the resumption of growth, long-term external finance will be needed, particularly for the poorest and least developed countries. Experience shows that the private sector by itself cannot fill this need adequately. The international system should therefore provide for the transfer of the needed external capital to the developing countries.

This requires several decisive steps. Developed countries should fulfil the target commitment of 0.7 per cent of GNP for official development assistance adopted by the United Nations in 1968, and of 0.15 per cent of GNP in aid to the least developed countries accepted by most donors in 1981. Efforts should be made to double official development assistance to LDCs by 1995 and to increase it to 0.20 per cent of GNP by the end of the 1990s.

A higher proportion of financial flows should be channelled through multilateral agencies; financial institutions, notably the World Bank and the regional development banks, should have a larger role in meeting the requirements for development finance.

For many developing countries, multilateral concessional assistance will continue to be of critical importance. Concessional assistance should be doubled by 1995, and a larger share provided through multilateral institutions (IDA and the soft windows of regional development banks). The additional resources should be devoted to food production, the satisfaction of other basic needs, population control, energy security, and other environmentally sensitive sectors.

Difficulties are invariably encountered in negotiating replenishments of IDA's capital; the replenishment cycle should therefore be extended to five years from the present three.

In view of the limited funds available to IDA – the ninth replenishment is no higher than the eighth – and the pressing claims of sub-Saharan Africa on these funds, the World Bank should revive the Third Window it opened temporarily in the 1970s to offer loans on

terms halfway between those applying to its regular loans and IDA loans.

A comprehensive regime for direct foreign investment should be introduced. International action is needed to adopt the Code of Conduct for Transnational Corporations, under negotiation since 1976, as well as a set of rules to control restrictive business practices. Joint ventures and other forms of association between small and medium-sized firms in industrial countries and the business sector in the South should be encouraged.

The governments of developed countries should co-operate with the governments of developing countries in identifying and instituting judicial proceedings against those responsible for illegal flows of capital from the South.

International Monetary Issues

The lack of a mechanism for creating international liquidity in an orderly way has become a major problem for the world economy as a whole. Meanwhile, there is a growing privatization of international liquidity, and this particularly hurts countries with low credit ratings. Thus, while there is ample liquidity, the developing countries have very limited access to it. This calls for a greater use of SDRs – the reserve currency created by the IMF. There is immediate need for agreement to allocate a reasonable amount of SDRs on a regular basis exclusively to developing countries over and above their small IMF quotas. In the long run, SDRs should become the main reserve asset for the international monetary system.

International arrangements should be adopted to reduce misalignment and volatility in the exchange rates of the principal world currencies. A target zone system for these currencies is one possible arrangement. There should be effective multilateral surveillance of the exchange rate arrangements, and the macroeconomic policies, of major developed countries.

Interest rates should be brought down to historical levels through international action. Pending a decline in the rates, developing countries should be insulated from the effects of excessively high levels.

Uncertainty and instability have greatly increased in the world economy. It is therefore essential to have international arrangements to cushion developing countries against unexpected shortfalls in foreign

exchange earnings or sharp increases in payments as a result of changes in interest rates or exchange rates. Agreement on the need for such arrangements has existed since the early 1960s, when the IMF established a Compensatory Financing Facility. The conditionality attached to assistance under the facility was considerably tightened and access reduced in the 1980s, making it much less useful. It should be a priority of a reform of the international financial system to reduce this conditionality, and to return the scheme to its original quasi-automaticity, at least in offsetting foreign receipt losses beyond the control of developing countries.

The 1980s witnessed a sharp increase in the conditionality associated with the provision of external finance to developing countries. While this trend is now a universal fact of life, unlikely to be reversed, the content and mechanisms of conditionality call out for major reform. If the set of policies a country is obliged to follow is to be viable, it needs to be country-specific and free of ideological bias. Devising and carrying out structural reforms are complex operations as differences can and do arise in drawing up an optimum mix of policies. It is therefore necessary to ensure that the performance norms stipulated for developing countries by the international financial institutions are based on objective analysis and not influenced by the ideological prejudices of the donors. Only a depoliticization of the process through the introduction of independent international evaluation of development performance can inspire the respect and confidence of both donors and recipients.

A panel of experts, independent of the IMF and the World Bank but operating as an advisory committee to them, should be formed to assess the needs of developing countries and the conditions appropriate to each of them. These two institutions should also set up regional councils to advise them on the broad framework of their policies and programmes.

Trade and Development

The prevailing approaches, rules and disciplines of the world trading system, as embodied in the General Agreement on Tariffs and Trade (GATT), are based on the principles of open, multilateral, transparent and non-discriminatory trading. However, developing countries face an entirely different reality when trading with the North. Protection-

ism in the industrialized countries now affects a very large proportion of the South's exports of processed products and manufactures.

Sustained growth in the South will need a substantial expansion of exports to the North. As world trade is unlikely to grow as fast as it did during the 1945-79 period, this will require deliberate action by developed countries to keep their markets open. A reformed international trading system must enable developing countries to step up their share of world trade in products in which they have a distinct comparative advantage; it must as well support the growth of trade among developing countries themselves. It should treat sustained development in the South as a central objective, reiterating the notion of preferential and more favourable treatment and limited reciprocity.

We believe the time has come for the world community to take up again the idea of an International Trade Organization. It should be equipped to deal with the new needs of the world trading system in a comprehensive and integrated fashion. Its mandate should include both a regulatory role in the world trading system and the promotion of development.

The trade in textiles and clothing must be returned to GATT rules and disciplines as a matter of urgency. Equally, sector-specific quantitative restrictions affecting, for instance, steel, leather goods, footwear and consumer electronics, which discriminate against manufactured exports from many developing countries, must be eliminated.

A satisfactory outcome of negotiations on some of these matters is linked to reaching a comprehensive agreement on safeguards, i.e. temporary import barriers imposed in order to protect industries at risk. Non-discrimination in applying safeguards should be a sine qua non of such an agreement. Over the last few years, there has been a convergence of views on several aspects of safeguards; agreement on these aspects should be pursued vigorously. Any attempt to introduce selectivity in applying safeguards should be resisted, as selectivity would allow them to be used essentially against imports from the South.

The application of traditional norms governing the trade in goods to the trade in services could seriously undermine the ability of developing countries to promote and regulate their service industries. Services such as transport, communications, banking, insurance, health and education have always been regarded as critical for sustained development. The new 'producer' or 'business' services – a by-pro-

duct of advances in information and communications technologies – also have a profound impact on competitiveness in many economic processes and products, for instance by improving inventory management and quality control. To be consistent with the objective of promoting development, any new multilateral framework for the trade in services must provide opportunities for the creation of a strong producer services sector in developing countries. It must also facilitate the growing participation of developing countries in the world trade in services.

The inclusion of 'trade-related investment measures' (TRIMs) on the agenda of international trade negotiations involves serious threats to the developing countries. Seeking to restrict their freedom to regulate foreign investment, it is essentially an attempt to introduce a multilateral regulatory system that would further strengthen the North's transnational corporations.

Clearly, all countries need screening procedures to block unacceptable and counterproductive activities or projects and to modify the terms of their operations to make them consistent with national development objectives.

The Commission attaches special importance to the need to reform international commodity trading. The crisis in commodities is as dramatic as that in the international financial system. Efforts are urgently needed to overcome the crisis in commodity markets in ways that will prevent its recurrence. The setting up of mechanisms to regulate the international commodity economy should be high on the agenda of the world community. The essential goals of UNCTAD's Integrated Programme for Commodities remain valid, namely, improvement of the terms of trade for commodity-exporting countries, stabilization of prices, compensation for shortfalls in commodity earnings, as well as commodity development through increased productivity, domestic processing and participation in marketing and distribution.

There is a distinct trend towards the formation of large trading groups among developed countries, as evidenced by the Canada-United States Free Trade Agreement and the moves by the European Community to create a unified market by the end of 1992. It would be wholly objectionable if these groupings were to result in reduced access for the South's exports. Reasonable measures should be introduced to preserve, and indeed expand, the preferential access of the

developing countries to these extended regional markets of the North and to avoid the potential marginalization of many countries of the South.

The prospective integration of the USSR and the countries of Eastern Europe in the world economy could offer significant opportunities for building a better world for all. In the shorter run, however, the prospects are more ambivalent. With their greater freedom, Soviet enterprises are likely to seek more competitive sources for their imports. This could place some developing countries at a disadvantage. Conversely, in the short run, the USSR's stated objective of significantly increasing its imports of consumer goods could benefit those countries of the South that are able to export consumer durables and light manufactures at competitive prices. Should the Eastern European countries progressively multilateralize their trade and payments arrangements, the scope for trade could expand, even though some transitional problems may arise for developing countries heavily dependent on markets in the USSR and Eastern Europe. In the short term also, more competition from Eastern Europe in world markets and for the world's surplus savings could create problems for the developing countries. We remain deeply concerned that both attention and resources could be diverted from development. However, in the longer run, the entry of these countries into the international financial institutions might contribute to greater balance and objectivity in their functioning.

Science and Technology

Measures to make it easier for developing countries to develop their domestic capabilities in science and technology and to acquire new technology from abroad should be a prominent part of new international arrangements to be negotiated between North and South. They should provide for the control of restrictive practices of transnational companies and include the following features:

- United Nations agencies, in particular UNIDO, UNESCO, the International Atomic Energy Agency (IAEA) and the UN University, should play a more prominent part in building up a scientific infrastructure in their areas of competence with a view to contributing to scientific and technological progress in the South. The UN Commission on Science and Technology should identify the

priorities for international policy in this area. Scientific centres for agriculture, such as the International Centre for the Improvement of Corn and Wheat in Mexico, the International Centre for Insect Physiology and Ecology in Kenya, and the International Centre for Biotechnology and Genetic Engineering in Trieste and Delhi sponsored by UNIDO, provide models of institutions engaged in applied research. In basic research, the experience of UNESCO and the IAEA in relation to the International Centre for Theoretical Physics (ICTP) in Trieste should be explored with a view to setting up other centres of advanced research and training, sponsored by United Nations bodies in disciplines relevant to their interests. The decision to set up, with the Italian Government's support through UNIDO, three new research centres in Trieste – one for high technology and new materials, one for pure and applied chemistry, and one for earth sciences and the environment, which together with the ICTP will constitute the International Centre for Science – is a welcome development in this direction.

- A network of research and training institutes for the development and application of high technology should be established in the developing countries, and this should be supported by the multilateral financial institutions, notably the World Bank. The proposal by the Trieste Centre for creating 20 new centres around the world provides a basis for developing such a network.
- Centres of technological information should be established in the countries of the South to facilitate access to scientific literature; these centres should have comprehensive collections of scientific and technological books and journals either provided by governments of the North or supported by bilateral or multilateral aid.
- There should be a link between total international aid and aid for science and technology. Donor countries should agree to provide a given percentage of their ODA as an additional sum to finance R&D activities in developing countries.
- The new arrangements should provide for the transfer of technology from the North on terms consistent with the development interests of the South. Financing should not be tied; there should be controls to check transfer pricing; the ability to export should not be restricted; and there must be freedom to diffuse the technology within the country. The negotiation of an International Code of Conduct on the Transfer of Technology to Developing Coun-

tries and revision of the Paris Convention should be completed in a spirit of accommodation between North and South. Holders of patent rights must accept corresponding obligations to facilitate the development of links for the absorption of technology by the developing countries.

- Technologies that help to preserve the environment and conserve natural resources should be treated as international public goods, and technologies with potentially dangerous social consequences should be internationally monitored and controlled.

The Environment, Oceans and Energy

Evidence of the global risks arising from damage to the environment provide another reminder that North and South are parts of one human family sharing one fragile planet. The custody of the environment calls for a co-operative approach based on global interdependence.

The damage so far done to the environment has been overwhelmingly caused by the pattern of economic development in the North. Poverty is, in contrast, at the root of environmental degradation in poor countries, where the compulsions of survival lead to improvident use of the land and other natural resources.

Multilateral arrangements for protecting the environment should therefore recognize that poverty and underdevelopment must be overcome for the environment in the South to be protected and should have the removal of poverty in the South as a central objective. It would be wholly unacceptable if the North were to seek to force the South to choose between development and environmental protection.

The adoption of environmentally sound policies and technologies will clearly involve more costs than the South can bear unaided. The international community should share these additional costs as part of a global plan for saving our endangered earth. The South's readiness to join in a campaign to preserve the ecological heritage is reflected in the proposal made by India at the Non-Aligned Summit in Belgrade in September 1989. This envisages a UN-administered Planet Protection Fund to which all countries, except the least developed, would contribute 0.1 per cent of their annual GDP. The Commission commends this proposal to the international community.

All countries that have not yet done so should ratify the Convention on the Law of the Sea in order that it may enter into force as soon as possible. A forum should be created within the United Nations system for the discussion of ocean affairs in an integrated manner, as they are closely interrelated and should be considered together. The management and possible utilization of the global commons, such as Antarctica and outer space, must be based on their acceptance as a part of the common heritage of humankind. The 1959 Antarctica Treaty expires in 1991; it should be succeeded by a treaty inspired by this spirit.

The global economy needs an internationally agreed regime for energy that is stable, i.e. without disruptive fluctuations in supply and prices, and is fair to both producers and consumers by ensuring reasonable and remunerative prices as well as access to reliable supplies. It should ensure that the development of the South is not impeded by the failure to provide for an orderly expansion and fair allocation of energy supplies.

Global Economic Management and the UN System

True peace and security in the world cannot be assured without action to make the international economic environment more equitable, predictable and supportive of development in the poorer parts of the world. Such action has to be a global responsibility. The United Nations, as the principal forum of the global community, should have a central role in guiding the world towards this objective.

Ways must therefore be found for the world community, through the United Nations and at the highest level of world leadership, to make assessments of global trends and their consequences for development as well as for the environment. We recommend that periodic summits of a representative group of nations from both North and South should be convened by the United Nations for this purpose. They should set guidelines for action by the UN and its agencies and other important components of the global system.

Action to improve global economic management and decision-making also requires a reform of the voting structures in the IMF and the World Bank. These should be changed to achieve a better balance between developed and developing countries in their policy-making bodies.

Peace and Development

To beat swords into ploughshares has been one of humankind's noblest and most enduring dreams. In recent times, the hope has been that part of the vast sums spent on preparations for war would be diverted to the war against world poverty. An opportunity for making this a reality is offered by the thaw in relations between the two superpowers and the start of a process of disarmament. The need for it is made more acute by the high cost of preserving the environment and the global habitat while at the same time allowing developing countries to achieve an adequate rate of growth.

The Commission believes that a Peace and Development Fund should be established into which a substantial part of the resources freed by the scaling down in arms budgets should be channelled. This Fund should use a significant proportion of its resources to assist developing countries meet their technological needs, through such means as the establishment of centres and schemes of scientific and technological training, and collaboration between institutions of learning and research. A major thrust should be to improve technological capabilities in areas relevant to efforts to satisfy the basic needs of the billion poorest human beings. The possibility of combining this initiative with the proposed Planet Protection Fund mentioned above should be explored.

A Six-Point Programme for Immediate Action

There is today a new combination of powerful political, economic, ecological and moral considerations which justify a Six-Point Global Programme of Immediate Action to combat world poverty in the interest of sustainable development worldwide and the promotion of global peace and security. This Programme needs to address some urgent issues, whose resolution will help to revive growth in the Third World and also be a first step towards a more basic restructuring of the international system designed to ensure a more equitable management of global interdependence, in the interest of both developed and developing countries. The Programme should have the following objectives:

- Action to stop the net transfer of resources from the South to the North, to remove the overhang of the external debt of developing

countries and to scale down their debt service to levels that would allow growth to be sustained at a rate that would yield annual increases in per capita income of at least 2-3 per cent.

- The establishment of multilateral arrangements for protecting the global environmental commons and ensuring sustainable development. These arrangements should recognize that poverty must be overcome in order that the environment in the South may be protected and should respect the freedom of governments to set their own national priorities and policies.
- Doubling the volume of concessional resource transfers to developing countries by 1995, priority being given to transfers through multilateral institutions (IDA and the soft windows of regional development banks); the additional resources are to be devoted to food production, the provision of other basic needs, population control, energy security and other environmentally sensitive areas.
- The establishment of independent international mechanisms for evaluating the requirements of developing countries, the norms and indicators for performance, and the criteria and conditionality appropriate to each country. These mechanisms, acting in an advisory capacity, could help considerably to depoliticize the negotiations between international financial institutions and developing countries, the laying down of performance norms and the assessment of performance.
- A time table for lifting protectionist barriers that adversely affect the growth of developing countries' exports to the developed countries, bringing the textiles trade under normal GATT disciplines, and removing various "grey area" restraints affecting developing countries' access to markets in the developed countries. Provision should be made for the stabilization and support of the international prices of primary commodities of special export interest to developing countries by a commitment to negotiate international agreements for these commodities, and international assistance should be made available to developing countries in diversifying their commodity sectors.
- The incorporation of contingency provisions in international arrangements with a view to protecting developing countries against excessive fluctuations in international interest rates, exchange rates and terms of trade.

If a programme on these lines is to be realized, political initiative at the highest level will be needed, in order to impart the necessary momentum. The leaders of the South's nations should meet and agree on a programme for immediate action, and then use their influence to convene a global summit to discuss it with the leaders of the North. These North-South discussions could, at the same time, reopen the process of negotiation for a longer-term, fundamental reform of the international system.

V. Towards the Twenty-First Century

The globalization of economic, social and political processes now underway is likely to acquire further momentum in the years to come. Knowledge, and the application of science and technology in society, will become still more powerful determinants of wealth and power in the world.

The emerging world setting offers tremendous opportunities as well as risks. New knowledge harnessed properly can become a potent instrument for freeing humanity from poverty, ignorance and disease; but unequal access to knowledge can lead to the further marginalization of the South.

The South has to be effectively mobilized to face these formidable challenges. The objectives and policy recommendations we have outlined in our Report should assist the South in this gigantic task. They retain validity well beyond the 1990s. To recapitulate, the South must harness all its energies for the following tasks:

- A fundamental reshaping of its economies, polities, and societies leading to institutional structures and value systems which prize creativity, innovation and a spirit of enterprise as well as a deep concern for social justice.
- The mobilization and enhancement of the potentialities of the people through the pursuit of development strategies and patterns which put the people at the centre and aim at raising the quality of life for all.
- A strong commitment to closing the knowledge gap with the North, through improvements in education and the development of capabilities to take full advantage of advances in science and technology.
- An effective population policy, based on a vigorous social development strategy.
- A long-term commitment to rational and prudent management of the environment and use of scarce natural resources, particularly land and water.

National policies are the foundations for the successful pursuit of development objectives. However, no less important is the challenge of South-South co-operation. With the increasing importance of eco-

nomies of scale and expenditure on research and development, South-South co-operation may well become the most cost-effective means for the South to reach the new frontiers of science and technology. Its strategic role will increase just as opportunities for co-operation can also be expected to grow.

The restructuring of the global system is equally essential for an equitable management of global interdependence, for a progressive narrowing of the North-South divide, and for assuring peace, dignity and security for all. This can come about only after a prolonged struggle. But the South must consolidate its solidarity and improve its organizational capabilities to wage that struggle and to bring it to a successful conclusion. Through organization and commitment to an agenda inspired by universal human values, the South can influence the future evolution of the world system.

Annex I

Statistical Tables

Tables

1	The South in the World Economy
2	Gross National Income per Capita, 1967-88
3	Total and Per Capita GDP Growth Rates, 1960-88
4	Labour Force and its Sectoral Distribution, 1965-87
5.1	Network of World Trade: Share of World Exports by Destination, 1965-88
5.2	Network of World Trade: Share of World Exports by Origin, 1965-88
6	World Merchandise Trade by Country Grouping and Commodity, 1960-87
7	South-South Trade, 1965-88
8	Terms of Trade for the South, 1960-89
9	Weighted Index of Commodity Prices, 1970-88
10	External Debt, Debt Service and Debt-Related Transfers, 1980-88
11	Net Transfer of Financial Resources, 1980-88
12	Research and Development Expenditure as per cent of GNP and Number of Scientists and Engineers per Million Population, mid-1980s
13.1	Social Indicators: Health and Nutrition
13.2	Social Indicators: Education
14	Poverty in the South: Number of Poor and Extremely Poor, 1985
15	Demographic Trends, 1960-88

Classification of the South by Regions and Other Categories[1]

Classification by Region

Africa, comprising:

North Africa:
Algeria, Egypt, Libya, Morocco, Tunisia

Sub-Saharan Africa:
Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Zaire, Zambia, Zimbabwe[2]

Asia, comprising:

East Asia:
China, Hong Kong, Mongolia, Democratic People's Republic of Korea, Republic of Korea, Taiwan Province of China

South East Asia:
Brunei Darussalam, Democratic Kampuchea, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

South Asia:
Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

---

1. Based on UNCTAD classification of countries. The World Bank's classification differs from that of UNCTAD and where World Bank data are used in the following tables the Bank's classification has been followed.

2. Namibia has not been included as comparable data for the pre-independence period is not available.

Statistical Tables

West Asia:
Afghanistan, Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen, Quatar[1]

Oceania:
Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu

Latin America and the Caribbean:
Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, Venezuela.

Developing Europe:
Cyprus, Malta, Yugoslavia

Classification by Export Category

Major Petroleum Exporters:
Algeria, Angola, Bahrain, Brunei Darussalam, Congo, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Quatar, Saudi Arabia, Syrian Arab Republic, Trinidad and Tobago, United Arab Emirates, Venezuela

Major Exporters of Manufactures:
Brazil, Hong Kong, Republic of Korea, Mexico, Singapore, Taiwan Province of China, Yugoslavia

Others:
The rest of the South

---

1. Palestine has not been included due to the lack of comparable data.

Classification by Income Group

1985 per capita GDP above $3000 (High Income):
Bahamas, Bahrain, Barbados, Bermuda, Brunei Darussalam, Cyprus, Gabon, Hong Kong, Iran, Iraq, Kuwait, Libya, Oman, Quatar, Saudi Arabia, Singapore, Taiwan Province of China, Trinidad and Tobago, United Arab Emirates, Venezuela

1985 per capita GDP between $500 and $3000 (Middle Income):
Algeria, Angola, Antigua and Barbuda, Argentina, Belize, Bolivia, Botswana, Brazil, Cameroon, Chile, Colombia, Congo, Costa Rica, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Grenada, Guatemala, Honduras, Indonesia, Jamaica, Jordan, Republic of Korea, Lebanon, Liberia, Malaysia, Malta, Mauritius, Mexico, Morocco, Namibia, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint-Vincent and the Grenadines, Samoa, Seychelles, Solomon Islands, Suriname, Swaziland, Syrian Arab Republic, Thailand, Tonga, Tunisia, Uruguay, Yugoslavia, Zimbabwe

1985 per capita GDP below $500 (Low Income):
Afghanistan, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, China, Comoros, Cambodia, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, India, Kenya, Laos, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mongolia, Mozambique, Myanmar, Nepal, Niger, Pakistan, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sri Lanka, Sudan, Tanzania, Togo, Uganda, Vanuatu, Vietnam, Yemen, Zaire, Zambia

Other Classifications

Least Developed Countries:
Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Laos, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozam-

Statistical Tables

bique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Tanzania, Uganda, Vanuatu, Yemen

Highly Indebted Countries:
Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Côte d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, Yugoslavia

Table 1. The South in the World Economy
(Per Cent)

	1965	*1970*	*1980*	*1987*
Share of the South in World Population	69.9	71.6	74.3	75.9
Share of the South in World GDP	16.1	15.9	21.8	17.8
Share of the South in World Output of:				
Agriculture[a]	n.a.	52.8	57.8	57.0
of which Food Grains	47.9	49.7	50.2	52.6
Industry[a]	n.a.	13.0	24.8	18.0
Manufacturing[a]	n.a.	11.1	18.3	15.7
Primary Energy	26.4	35.2	37.6	36.0
Minerals	27.3[b]	28.0	28.5[c]	32.9[d]
Share of the South in World Merchandise Trade				
Merchandise Exports	20.7	18.9	28.9	21.9
Merchandise Imports	20.9	20.1	24.4	22.1

Notes: a. UNCTAD secretariat estimates based on UNSO data available for 89 developing countries.
b. 1950
c. 1978
d. 1983
n.a. not available

Sources: UNCTAD and UNCTAD computations based on FAO statistics, the UN *Energy Statistics Yearbook* and *Annual des Mines*.

Table 2. Per Capita Gross National Income, 1967-88
(Constant 1980 $)

	1967	*1970*	*1975*	*1980*	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*
Sub-Saharan Africa	430	490	540	570	560	540	510	480	490	470	440
North Africa & West Asia	510	580	800	1080	1120	1150	1170	1180	1200	1110	1080
Asia[a] & Oceania	220	250	290	350	360	380	400	430	450	470	500
Latin America & the Caribbean	1210	1410	1700	2010	1970	1860	1740	1780	1800	1810	1830

Note: a. Excluding West Asia.
Source: World Bank, *World Tables 1988-89*.

Table 3. Total and Per Capita GDP Growth Rates, 1960-88

	Average Annual Growth of GDP (%) (Constant 1980 $)					
	Total GDP			*Per Capita GDP*		
	1960-70	*1970-80*	*1980-88*	*1960-70*	*1970-80*	*1980-88*
Total South	*5.8*	*5.5*	*3.2*	*3.2*	*3.2*	*1.3*
China	6.1	5.1	10.4	3.5	3.3	9.2
India	3.6	3.6	5.5	1.2	1.4	3.5
South by Major Category						
Major Exporters of Manufactures	6.9	7.6	3.5	4.1	5.2	1.4
Major Petroleum Exporters	7.2	5.9	−1.0	4.4	2.8	−3.6
South by Region						
Africa	5.9	4.1	1.1	3.2	1.1	−1.9
Asia	6.1	6.0	5.0	3.6	3.8	3.2
Latin America	5.3	5.4	1.4	2.5	2.8	−0.8
South by Income Group						
High Income	9.3	5.9	−0.4	6.0	2.7	−3.1
Middle Income	5.2	5.9	2.5	2.6	3.4	0.2
Low Income	4.5	4.1	7.4	2.1	2.0	5.6[a]
Memo item:						
Developed market-econ. countries	5.1	3.1	2.9	4.0	2.2	2.3

Notes: a. Reflects the exceptionally high growth rate of China in the 1980s.
Source: UNCTAD.

/...

Table 4. Labour Force & Its Sectoral Distribution, 1965-87

		Sub-Saharan Africa	*North Africa & West Asia*	*Asia[a] & Oceania*	*Latin America & the Caribbean*
Labour Force[b]		40.6	30.9	46.4	35.1
Women in Labour Force[c]		37.8	18.7	33.2	26.3
Labour Force in Agriculture[c]	1965	77.8	62.5	75.1	45.1
	1985/87	70.3	38.9	64.1	25.3
Labour Force in Industry[c]	1965	8.6	14.0	10.2	21.8
	1985/87	9.8	15.3	12.7	17.4
Labour Force in Services[c]	1965	13.7	23.5	14.7	33.3
	1985/87	20.0	45.7	23.2	57.3

Notes: a. Excluding West Asia.
b. As per cent of total population.
c. As per cent of total labour force.

Source: UNDP, *Human Development Report, 1990.*

Table 5.1. Network of World Trade: Share of World Exports by Destination, 1965-88
(Per Cent)

Origin \ *Destination*		*World*	*South*	*DMEC*[a]	*EE*[b]
World	1965	100	20.9	66.2	11.5
	1970	100	20.1	69.9	9.2
	1980	100	24.4	67.5	7.2
	1988	100	22.9	69.5	6.9
South	1965	100	23.6	67.0	6.6
	1970	100	22.0	70.0	6.5
	1980	100	26.2	69.2	3.3
	1988	100	33.4	61.5	4.0
OPEC	1965	100	20.5	77.4	1.0
	1970	100	19.6	75.1	1.5
	1980	100	22.4	75.8	1.2
	1988	100	36.7	60.4	2.0
Other South	1965	100	24.8	63.0	8.7
	1970	100	23.1	67.8	8.7
	1980	100	30.6	61.8	5.6
	1988	100	32.6	61.7	4.5
Developed Market Economy Countries	1965	100	21.2	74.5	3.2
	1970	100	20.1	76.4	2.9
	1980	100	24.4	71.2	3.6
	1988	100	19.8	77.3	2.2
Eastern Europe	1965	100	14.6	21.4	63.7
	1970	100	16.7	22.9	60.2
	1980	100	17.6	31.1	50.7
	1988	100	21.6	22.4	55.7

Notes: a. DMEC = Developed Market Economy Countries. b. EE = Eastern Europe.
Source: UNCTAD.

Table 5.2. Network of World Trade: Share of World Exports by Origin, 1965-88
(Per Cent)

Origin	*Destination*		*World*	*South*	*DMEC*[a]	*EE*[b]
World		1965	100	100	100	100
		1970	100	100	100	100
		1980	100	100	100	100
		1988	100	100	100	100
South		1965	20.7	23.4	21.0	11.8
		1970	18.9	20.6	18.9	13.4
		1980	28.9	31.0	29.6	13.2
		1988	21.6	31.5	19.1	12.6
Developed Market Economy Countries		1965	66.7	67.7	75.0	18.2
		1970	71.4	71.2	77.9	22.3
		1980	63.4	63.4	66.8	32.2
		1988	70.4	60.9	78.3	22.5
Eastern Europe		1965	12.6	8.9	4.1	69.9
		1970	9.8	8.1	3.2	64.2
		1980	7.8	5.6	3.6	54.7
		1988	8.0	7.6	2.6	64.9

Notes: a. DMEC = Developed Market Economy Countries.
b. EE = Eastern Europe.
Source: UNCTAD.

Table 6. World Merchandise Trade by Country Grouping and Commodity, 1960-87

		EXPORTS			IMPORTS		
		Total	*Primary*[a]	*Manufactures*[b]	*Total*	*Primary*[a]	*Manufactures*[b]
World		100.0	100.0	100.0	100.0	100.0	100.0
Total South	1960	20.7	36.6	4.9	20.9	17.1	24.5
	1970	18.9	36.1	6.3	20.1	16.6	22.2
	1980	28.8	49.7	10.2	24.4	21.1	27.4
	1987	21.9	35.2	15.9	22.0	22.2	21.4
Oil Exporters	1960	5.8	12.2	0.2	3.1	1.9	4.4
	1970	5.8	13.3	0.2	3.1	1.9	3.9
	1980	15.3	31.9	0.5	6.4	3.7	8.9
	1987	4.7	14.0	0.5	3.7	3.2	4.0
Other South	1960	14.9	24.5	4.7	17.7	15.2	20.1
	1970	3.1	22.7	6.1	17.1	14.6	18.3
	1980	13.5	17.8	9.7	18.0	17.4	18.5
	1987	17.1	21.2	15.3	18.4	19.1	17.4
Developed Market Economy Countries	1960	66.7	52.9	83.8	66.2	71.6	63.7
	1970	71.4	54.7	84.7	69.9	73.7	67.9
	1980	63.4	42.9	82.7	67.5	70.9	64.7
	1987	69.7	53.3	78.2	69.8	67.4	72.1
Countries of Eastern Europe	1960	12.6	10.5	11.2	11.5	10.3	10.6
	1970	9.8	9.3	9.1	9.2	9.2	9.3
	1980	7.8	7.4	7.1	7.2	6.5	7.4
	1987	8.5	11.5	6.0	7.2	9.2	6.0

Memo Item:
Share of Trade in Services in Each Grouping's Total Trade in Goods and Services[c]

	EXPORTS			IMPORTS		
	1970	*1980*	*1987*	*1970*	*1980*	*1987*
South	4.0	4.6	4.6	7.0	8.5	6.8
Developed Market Economies	23.0	22.2	25.6	22.2	20.5	24.7

Notes: a. Including metals and minerals. b. Excluding metals and minerals. c. Includes factor and non-factor services.
Source: UNCTAD.

Table 7. South-South Trade, 1965-88
(Per Cent)

	1965	*1970*	*1980*	*1988*
Share of South-South Trade in World Trade	4.9	4.2	7.6	7.2
Share of South-South Exports in Total South Exports	23.6	22.0	26.2	33.4
Share of South-South Imports in Total South Imports	23.4	20.6	31.0	31.5
Share of Intraregional Trade in Each Region's Total Trade				
Africa	6.4	5.6	6.1	6.5
Asia	24.4	22.5	22.6	33.1
Latin America	17.0	17.3	21.4	14.6
Share of Intraregional Trade in Total South-South Trade				
Africa	4.9	5.2	2.0	1.7
Asia	51.0	47.2	55.6	70.9
Latin America	23.0	23.4	15.2	7.5

Source: UNCTAD.

Table 8. Terms of Trade for the South, 1960-89[a]
(1980 = 100)

COUNTRY GROUP[b]	*1960*	*1965*	*1970*	*1975*	*1981*	*1985*	*1989*
South	45	40	38	73	109	96	74
By Major Category							
Exporters of Manufactures	120	123	124	136	99	97	91
Oil Exporters	21	19	18	59	118	101	55
Others	99	95	102	109	96	88	87
By Region							
Africa	49	37	36	67	109	95	62
North Africa	41	29	24	63	116	99	64
Sub-Saharan Africa	55	46	54	71	103	92	67
Asia	32	28	25	66	113	99	73
West Asia	15	14	14	58	120	104	55
Other Asia	92	87	79	96	101	94	89
Latin America	61	60	66	97	100	91	78
Least Developed Countries[c]	115	104	107	100	94	92	83
Memo Item:							
Developed market economy countries	117	120	122	109	98	101	112

Notes: a. Barter terms of trade.
b. Excluding China.
c. Forty-one countries in the South considered as least developed by the United Nations using various economic and social development criteria.

Source: UNCTAD.

Table 9. Weighted Index of Commodity Prices, 1970-88[a]
(1979-81 = 100)

Year	*Petroleum*	*Other Commodities*[b]
1970	13.1	111.2
1971	16.2	97.8
1972	16.6	93.9
1973	20.4	124.0
1974	69.3	134.4
1975	60.7	100.9
1976	64.3	111.9
1977	64.0	122.9
1978	56.0	101.5
1979	71.3	104.8
1980	106.7	104.9
1981	119.3	90.8
1982	109.3	82.4
1983	101.8	89.2
1984	101.4	92.2
1985	97.4	80.9
1986	41.6	69.0
1987	48.3	62.7
1988	36.3	69.5

Note: a. The World Bank, in compiling the above, has used the manufacturing unit value (MUV) index as the deflator.
b. Thirty-three commodities other than fuel.
Source: World Bank

Table 10. External Debt, Debt Service, and Debt-Related Transfers, 1980-88
($ millions)

		Total Debt Stock	*Debt as % of GNP*	*Debt Service Ratio*[a]	*Debt Service as % of GNP*	*Debt-Related*[b] *Transfers*
Sub-Sahara Africa	1980	56 201	28.2	11.0	3.2	5 343
	1984	82 713	46.7	25.5	5.7	520
	1988	139 624	99.5	27.2	7.5	-166
North Africa and West Asia	1980	60 967	53.0	20.3	7.9	1 717
	1984	79 786	59.9	22.3	8.2	-264
	1988	120 318	80.6	37.9	10.7	-3 495
Other Asia	1980	126 709	22.7	13.2	2.2	7 105
	1984	194 736	32.7	18.3	3.4	1 605
	1988	298 046	35.6	22.1	4.3	-7 154
Latin America	1980	242 699	34.8	36.9	6.6	-1 534
	1984	377 259	59.3	38.9	8.1	-18 732
	1988	427 463	48.9	40.5	6.4	-26 941
Developing Europe[c]	1980	19 154	25.3	19.0	5.1	1 365
	1984	20 384	43.7	24.7	9.8	-2 699
	1988	24 757	36.8	19.3	7.0	-2 316
Total South	1980	505 460	28.8	22.0	4.6	13 996
	1984	755 328	43.6	26.8	6.0	-19 571
	1988	1 010 208	45.7	28.6	6.0	-40 072

Notes: a. Debt Service Ratio = Principal and interest payments as per cent of the total export of goods and services.
b. Debt-Related Transfers = External borrowing less debt service payments.
c. Cyprus, Malta and Yugoslavia.
Source: World Bank, *World Debt Tables 1989-90.*

Table 11. Net Transfer of Financial Resources of the Capital-Importing Countries of the South, 1980-88[a]
($ Billions)

	1980	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*
Official Flows									
Grants	11.1	11.7	9.2	10.2	10.7	11.5	11.1	12.3	12.4
Net Credits	23.2	28.8	31.6	27.7	25.0	16.5	16.0	12.0	16.0
Gross Flow	34.3	40.5	40.8	37.9	35.7	28.0	27.1	24.3	28.4
Interest Payment	-5.8	-6.8	-8.3	-9.7	-11.3	-12.8	-15.6	-16.9	-18.2
Net Transfer	28.6	33.7	32.5	28.2	24.5	15.1	11.5	7.5	10.2
Private Flows									
Direct investment									
Net Investment Flow	5.5	9.0	6.4	5.5	5.6	6.3	5.6	8.7	14.1
Net Dividends & Other Income	-10.5	- 9.9	- 9.4	- 8.8	- 8.0	- 7.5	- 6.4	- 7.0	- 7.8
Net Transfer	- 5.0	- 0.9	- 3.0	- 3.3	- 2.5	- 1.2	- 0.8	1.7	6.3
Credit Long-Term									
Net Flow	35.4	48.3	40.6	26.5	17.8	11.6	7.7	1.4	6.5
Interest Payment	-24.2	-31.2	-37.2	-35.2	-39.9	-38.9	-34.6	-33.9	-39.2
Net Transfer	11.2	17.0	3.4	- 8.7	-22.0	-27.3	-27.0	-32.5	-32.8
Credit Short-Term									
Net Transfer	0.9	-17.3	-27.2	-18.9	-12.7	- 8.6	1.8	3.2	-10.1
Private Grants	1.2	1.2	1.2	1.9	2.1	2.5	3.4	3.5	4.2
Total Net Transfer (financial basis)[b]	36.8	33.8	7.0	- 1.2	-10.6	-19.4	-11.1	-16.6	-22.1
Use of Official Reserves	-12.8	2.7	15.9	- 8.0	-19.4	1.6	8.7	-14.4	- 9.9
Total Net Transfer (expenditure basis)[b]	24.0	36.5	22.9	- 9.2	-30.0	-17.8	- 2.4	-31.0	-32.0

Notes: a. The United Nations defines the following countries as capital surplus countries and hence excludes them from the above table: Brunei Darussalam, Iran, Iraq, Kuwait, Libya, Quatar, Saudi Arabia and the United Arab Emirates. Of the other countries of the South, the table covers 96 for which the United Nations has consistent data.

b. The measure of *net transfer of financial resources on an expenditure basis* is defined by the United Nations as the difference between net capital inflows and net international income payments to capital. It is the same size, but with opposite sign, as the balance of trade in goods and non-capital services. This measure treats changes in reserves as part of international financial flows. The measure of *net transfer of financial resources on a financial basis* does not include changes in international reserves and thus implicitly treats reserve charges as part of investment.

Source: Adapted from United Nations, *World Economic Survey 1990*.

Table 12. Research and Development Expenditure as per cent of GNP and Number of Scientists and Engineers per Million Population, mid-1980s

	R&D Expenditure (% of GNP)	*Scientists and Engineers (per Million Population)*
Industrial Countries	2.48	2,792
USA	2.80	3,233
Japan	2.80	4,836
W. Europe	2.04	1,111
Eastern Europe	4.70	4,275
USSR	5.50	5,414
Developing Countries	0.46	195

Note: As complete data on R&D expenditure and number of scientists are not available for all countries, the number of countries involved in the computation is the following: W. Europe: 19, Eastern Europe: 8, Developing Countries: 59 for R&D Exp. and 39 for scientists and engineers.

Source: Based on UNESCO *Statistical Yearbook 1989*.

Table 13.1. Social Indicators – Health and Nutrition

	Life Expectancy at Birth		*Access to Safe Water[a] 1985/87*		*Under Five Mortality (per 1,000)*		*Daily Calorie Supply[b]*	
	1960	*1987*	*Urban*	*Rural*	*1960*	*1988*	*1964/66*	*1984/86*
Sub-Saharan Africa	40	51	74	24	284	183	92	91
North Africa & West Asia	47	62	94	47	273	115	92	120
Asia[c] & Oceania	46	64	75	45	241	111	87	107
Latin America & the Caribbean	56	67	84	46	160	79	102	115

Notes: a. Per cent of population with access to safe water.
b. As per cent of daily requirements.
c. Excluding West Asia.

Source: UNDP, *Human Development Report, 1990.*

Table 13.2. Social Indicators – Education

	Gross Primary School Enrolment Ratio[a] *1986/88*			*Gross Secondary School Enrolment Ratio*[a] *1986/88*			*Adult Literacy Rate*[b] *1970*			*1985*		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*	*Male*	*Female*	*Total*	*Male*	*Female*	*Total*
Sub-Saharan Africa	75	61	68	21	13	17	34	17	26	59	38	48
North Africa & West Asia	101	81	91	57	39	48	48	19	34	66	41	54
Asia[c] & Oceania	116	96	106	47	32	38	53	29	41	71	47	59
Latin America & the Caribbean	110	108	109	47	51	49	75	69	72	85	81	83

Notes: a. Total number enrolled as a percentage of the population in the relevant age group.
b. Percentage of persons aged 15 and over who can, with understanding, both read and write a short single statement in everyday life.
c. Excluding West Asia.

Source: UNDP, *Human Development Report, 1990.*

Table 14. Poverty in the South – Number of Poor and Extremely Poor, 1985

	Extremely Poor[a]		*Poor*[b]	
	Number (million)	*Per cent*[c]	*Number (million)*	*Per cent*[c]
Sub-Saharan Africa	120	30	180	47
North Africa & West Asia	40	21	60	31
Asia[d] & Oceania	420	18	800	30
Latin America & the Caribbean	50	12	70	17
Total	630	19	1,110	33

Notes: a. The World Bank has defined the poverty line in 1985 purchasing power parity (PPP) dollars as $275 per capita a year for the extremely poor and $370 per capita a year for the poor.
b. Including the extremely poor.
c. Per cent of the population below the poverty line.
d. Excluding West Asia.

Source: World Bank, *World Development Report, 1990.*

Table 15. Demographic Trends, 1960-88

	Population (000)			*Average Annual Growth Rate (%)*			*Share of World Population (%)*		
	1960	*1980*	*1988*	*1960-70*	*1970-80*	*1980-88*	*1960*	*1980*	*1988*
South	2 086 800	3 312 600	3 866 400	2.4	2.2	2.0	68.8	74.3	76.2
China	662 100	987 100	1 081 400	2.3	1.7	1.1	21.8	22.1	21.3
India	442 300	688 900	799 900	2.3	2.2	1.9	14.6	15.5	15.8
Other South	982 400	1 636 600	1 985 100	2.6	2.6	2.4	32.4	36.7	39.1
South by Region[a]									
Africa	260 900	451 300	574 500	2.6	2.9	3.1	8.6	10.1	11.3
Asia	1 587 600	2 472 500	2 830 100	2.4	2.1	1.7	52.3	55.5	55.7
Latin America	216 600	361 000	431 700	2.7	2.5	2.3	7.1	8.1	8.5
South by Income Group									
High Income	63 500	117 200	145 900	3.1	3.1	2.8	2.1	2.6	2.9
Middle Income	559 300	924 000	1 110 100	2.6	2.5	2.3	18.4	20.7	21.9
Low Income	1 464 000	2 271 400	2 610 400	2.3	2.1	1.8	48.3	50.9	51.4
Memo item:									
Developed market economy countries	633 609	768 317	806 540	1.1	0.9	0.6	20.9	17.2	15.9

Note a. The population for developing Europe and Oceania for 1960, 1980 and 1988 respectively was 21.7, 27.8 and 30.1 million.
Source: UNCTAD.

Annex

The Commission and Its Work

The plans to establish the South Commission were announced at the eighth Meeting of the Heads of State and Government of the Non-Aligned Countries held in Harare, Zimbabwe, in September 1986 by Dr. Mahathir bin Mohamed, Prime Minister of Malaysia. Dr. Mahathir had headed a steering committee which had been set up, at an international meeting held in Malaysia, to make the preliminary arrangements for the formation of the Commission. He also announced that Julius K. Nyerere, former President of Tanzania, had accepted the invitation to be the Commission's Chairman.

In the months immediately after the announcement, Mr. Nyerere travelled widely in the South to discuss the role of the Commission with people in public life, in the business and academic communities and in non-governmental organizations. On 27 July 1987, he announced in Dar-es-Salaam the composition of the Commission and the appointment as Secretary-General of one of its members, Dr. Manmohan Singh, Deputy Chairman of the Indian Planning Commission, whom the Indian Government had released for service with the Commission.

The Commission has functioned as an independent body, with its members serving in their personal capacities. Its term was set for three years. Its work has been supported by financial contributions from developing countries. The Commission's Secretariat was established in Geneva with assistance from the Government of Switzerland and started functioning on 1 August 1987.

Terms of Reference

The Commission adopted its terms of reference at its second meeting in Kuala Lumpur, 1-3 March 1988.

1. Analysis of national development experience in the South and elaboration of an integrated perspective and vision of the future.

The Commission will undertake a critical analysis of post-World War II development experience and the lessons it holds for development planning in the future. Having defined development, it will assess the weaknesses and strengths of the developing countries; their development prospects; the constraints they face; the options open to them; and the scope for improved mobilization and utilization of their physical, financial and human resources.

On the basis of this analysis, the Commission will outline development goals and objectives for the year 2000 and beyond. In doing so, it will take into account the changing demographic, social and economic conditions in the Third World, and the evolving global environment.

The Commission will also make suggestions for reformulating and updating, wherever necessary, the patterns and strategies of growth to achieve

the goals of self-reliance, development and equity. In doing so it will take into account both the immense promise and potential offered by modern science and technology and the current human and other resource realities. In all its work the Commission will pay special attention to issues relating to poverty and hunger, the satisfaction of basic human needs, human resource development and industrialization of the Third World.

2. Analysis of the global environment

The Commission will analyse and comment on the evolving global environment as this is influenced by political, economic and technological changes in the North; it will assess the implications of this evolution for the South and for the planning of development in the South.

It will study: the nature of the evolving interdependence of the world; the impact and effects of the transnationalization process; the interrelationship between development and issues relating to world peace and security; the state of the biosphere, with the challenges this poses to humankind and the management of the global commons. On the basis of these studies the Commission will make appropriate proposals for the equitable management of global interdependence and the building of a new world order.

3. South-South co-operation for collective self-reliance

The Commission will carefully assess the role of South-South cooperation in widening the options for development strategies. It will analyse the experience acquired by current and past efforts to achieve such cooperation at every level. It will draw upon this experience to identify weaknesses and obstacles to South-South cooperation, and propose measures that will help to overcome them and to promote a fuller use of the existing potential for collective self-reliance in the South. The Commission will thus seek to foster various modes of South-South cooperation (sub-regional, regional, interregional and global) as an essential support to processes of self-reliant national development.

The Commission will examine the need for and the value of a permanent, institutionalized support mechanism for South-South cooperation. It will thus consider whether there is need for a Third World secretariat and a forum at the global level which, inter alia, would promote greater knowledge of the South by the South, serve as a focus for continuing interaction and mutual consultations among developing countries, carry out research and support their negotiations with the North, and act as a focal point for the exchange of information relevant to development.

4. South-North relations

The Commission will assess the state of South-North relations, and analyse their post-war evolution. On the basis of this assessment, and its analysis of the present and probable future global environment, and the imperatives of development, the Commission will examine: the current position of the South in relation to the North, and see how the voice of the South can be strengthened, and its role enhanced in the search for and implementation of greater equity in a new world order.

The Commission will seek to rethink, to update and, where necessary, to reformulate the intellectual foundations, the strategy and tactics, and the

institutional structures of the South in its dealings with the North. The Commission will highlight the close linkages that exist between the international arrangements for money, finance and trade and their impact on the pace of development in the world economy in general and in the South in particular. It will pay special attention to issues related to a reform of international arrangements for trade, science and technology, money and finance, and intellectual property; the management of transnational actors and processes; the global commons and the human environment; and the future of multilateralism and reform of the United Nations system.

Meetings of the Commission

The Commission held ten plenary meetings:

First meeting, Mont-Pelerin, Switzerland, 2-5 October 1987
Second meeting, Kuala Lumpur, Malaysia, 1-3 March 1988
Third meeting, Cocoyoc, Mexico, 5-8 August, 1988
Fourth meeting, Kuwait, 10-12 December 1988
Fifth meeting, Maputo, Mozambique, 27-30 May 1989
Sixth meeting, New Delhi, India, 11-14 November 1989
Seventh meeting, Nicosia, Cyprus, 4-8 May 1990
Eighth meeting, Havana, Cuba, 30-31 July 1990
Ninth meeting, Caracas, Venezuela, 2-3 August 1990
Tenth meeting, Arusha, Tanzania, 6-8 October 1990

Working Groups

The Commission set up working groups of Commissioners to deal in depth with certain issues:

Debt. Geneva, 23-24 January 1988, with the participation of Dragoslav Avramovic, Chandra Hardy and Carlos Massad.

Uruguay Round of GATT Negotiations. Geneva, 11-12 June 1988, with the participation of Rubens Ricupero, Hani Riad, Shrirang Shukla, K.G. Anthony Hill, and See Chak Mun as negotiators of the Group of 77 in the Uruguay Round.

Commodities. Geneva, 28-29 July 1988, with the participation of Dragoslav Avramovic, Kenneth Dadzie, Peter Lai, Alfred Maizels.

South-South Co-operation. Kuwait, 22-24 October 1988, with the participation of Roderick Rainford.

North-South Issues. London, 29-31 October 1988, with the participation of G.K. Helleiner.

National Development Issues. Geneva, 2-4 November 1988, with the participation of Philip Ndegwa and Marc Nerfin.

Science and Technology. Trieste, Italy, 24-25 November 1988, with the participation of Pablo Bifani and Mohamed H.A. Hassan.

North-South Issues. London, 2-3 March 1989.

South Secretariat. London, 4-5 March 1989.

Role of the Business Sector. Buenos Aires, 8-10 March 1989.

Draft Report. Kuwait, 17-19 February 1990.

Expert Groups

The Secretariat of the Commission convened several expert groups to assist it in its work.

What South? Nyon, Switzerland, 15 November 1987. Participants: Pablo Bifani, Marc Nerfin, Leelananda de Silva, Michael Zammit Cutajar

The Reform of the UN System. Nyon, 16 May 1988. Participants: Pablo Bifani, Mahdi Elmandjra, Marc Nerfin, Michael Zammit Cutajar.

Uruguay Round of Trade Negotiations. Geneva, 24-26 May 1988. Participants: Winston Fritsch, Deepak Nayyar, Chakravarthi Raghavan.

The Future of the UN System. Asilah, Morocco, 15-16 August 1988. Participants: Abdellatif Benachenhou, Assia Alaoui Bensalah, Mahdi Elmandjra, Marc Nerfin, together with Commissioners Gamani Corea and Layachi Yaker.

Development Strategies, Policies and Programmes. Geneva, 26-28 June 1989. Participants: Sukhamoy Chakravarty (Chairman), Abdellatif Benachenhou, Dharam Ghai, Nurul Islam, Elizabeth Jelin, Joseph Ki-Zerbo, Eddie Lee, Enrique Oteiza, Surendra Patel, Vishnu Persaud, Kamal Salih, Ajit Singh, Osvaldo Sunkel.

South-South Cooperation. Geneva, 3-5 July 1989. Participants: Philip Ndegwa (Chairman), Dragoslav Avramovic, Chen Qida, Norman Girvan, Reginald Green, Mahbub ul Haq, Khair El-Din Haseeb, Abdul Jalloh, Wilson Kinyua, Peter Lai, Thandika Mkandawire, Jorge Nef, Surendra Patel, Alicia Puyana.

North-South Relations. Geneva, 11-13 July 1989. Participants: Germanico Salgado (Chairman), Samir Amin, Chen Qida, Stuart Holland, Pedro Malan, Stephen Marris, Carlos Massad, Percy Mistry, Jorge Nef, Surendra Patel, H.M.A. Onitiri, Arjun K. Sengupta, Anton Vratusa.

Development Indicators. Caracas, Venezuela, 31 July – 3 August 1989. Participants: Victor Anderson, Gabriel Bidegain, Frank Bracho, Eduardo Bustelo, Meghnad Desai, Antonio Fernandez, Dharam Ghai, Hazel Henderson, Manfred Max-Neef, Nancy Angulo de Rodriguez, Sixto K. Roxas, Pedro Sainz, Gustavo Salas, Landing Savane, Luis Thais.

The Future of the UN System. Geneva, 10-12 January 1990. Participants: Diego Cordovez, Ismat Kittani, Marc Nerfin, Graf Alexander York.